

Child poverty and child well-being in the European Union

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**CONTRACTOR: TÁRKI SOCIAL RESEARCH INSTITUTE, BUDAPEST
RESPONSIBLE: ISTVÁN GYÖRGY TÓTH (TÁRKI)
CO-DIRECTORS: ISTVÁN GYÖRGY TÓTH (TÁRKI) AND TERRY WARD (APPLICA)
PROJECT COORDINATOR: ANDRÁS GÁBOS (TÁRKI)**

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CORRESPONDENCE: TOTH@TARKI.HU, GABOS@TARKI.HU

TÁRKI Social Research Institute Inc.
H-1112 Budapest, Budaörsi út 45, Hungary
Tel.: +36-1-309 7676, Fax: +36-1-309 7666
Internet: www.tarki.hu

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Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

Germany

Joachim R. Frick
(SOEP at DIW Berlin, TU Berlin & IZA Bonn)
jfrick@diw.de

Olaf Groh-Samberg
(University of Bremen & DIW Berlin)
ogrohsamberg@diw.de

Foreword

The aim of this case study is to identify the main groups of children (aged 0-17) at risk of poverty and social exclusion in Germany as well as the underlying factors. In the search for robust empirical findings, we compare the results based on EU-SILC with those derived from an alternative national data source, the German Socio-Economic Panel Study (SOEP)¹. The German SOEP started in 1984 in West Germany and in 1990 in East Germany, just six months after the fall of the Berlin Wall. The survey is very well suited for the type of analyses to be carried out here as it provides consistent time-series data from a representative sample of population for more than 20 years on a wide range of socio-economic characteristics. This allows for the analysis of long-term trends in both, the development of the structure of the population as well as household income and poverty.

It should be noted, however, that both surveys (EU-SILC and SOEP) differ considerably with respect to various methodological characteristics, which is likely to affect the comparability of the substantive results (see the methodological appendix). This is why this report not only compares results on inequality and poverty across the two surveys, but across time as well. It may not always be clear whether a given change in any relevant figure (e.g. the Gini coefficient or risk of poverty rate) between 2006 and 2007 represents a genuine change as opposed to a statistical artefact – especially if the underlying number of observations is small. In this context it is interesting to note that confidence limits cannot be calculated for the full German EU-SILC sample due to the underlying sampling design, which includes a quota sample.

As shown below, the results for Germany based on the EU-SILC vary considerably in several respects between 2006 and 2007 – especially when compared with the corresponding SOEP results. In several instances, cross-sectional results for a given point in time, as well as the corresponding changes over time, derived from the EU-SILC appear to be open to question.

¹ <http://www.diw.de/gsoep>

1. The nature of child poverty and the underlying factors

1.1 The children affected and the underlying factors

Table 1 gives an overall indication of inequality and the prevalence of relative poverty among children in Germany in 2007 based on EU-SILC data in relation to the EU-25 average. Table 1a gives the corresponding information as derived from SOEP data as compared with the EU-SILC and Table 1b compares the results over time from the two surveys.

In the case of EU-SILC, the most relevant results include the following:

- Income inequality in 2007 as measured by the Gini-coefficient is clearly lower among children (0.264) than among the overall population (0.295). This is less so in the EU as a whole where these two values are very close (0.290 and 0.297, respectively).

According to the SOEP data, inequality (Gini) among children is somewhat less pronounced than among the overall population.

- Almost 14% of children are reported as being at risk of poverty in 2007 as compared with just over 15% for the overall population. This is a significant change from 2006, when both rates were lower and closer together (12.7% and 12.4%, respectively).

In contrast, the results for the EU average show children to have a higher risk of poverty (19%) than the overall population (just over 16%).

The SOEP also indicates an above average risk of poverty for children in Germany (just under 16% compared with just over 13% in 2007); such a difference is relatively stable over time (see section 1.2 below).

- At-risk of poverty rates are highest for older children (12-17 years) and lowest for those aged 6-11. This U-shaped pattern may reflect two very different factors: while mothers of very young children may find it hard to work because of insufficient day care facilities (especially for children under 3, see below), the relatively high rate for older children may in part be a consequence of the higher equivalence scale assumed for those aged 14-17.

This pattern differs from the EU-25 average risk which increases with the age of children.

Results from SOEP are in line with those based on EU-SILC.

- Sensitivity checks, which involve changing the poverty threshold between 40%, 50%, 60% and 70% of the national median, show the expected increase in the risk of poverty: around 4%, 8%, 14% and 23%, respectively.

This pattern is broadly in line with the EU-average.

These results are also similar to those derived from SOEP.

- With respect to material deprivation as measured by EU-SILC, children in Germany appear to be slightly better off than the EU-average on the basis of both the primary and secondary indicator.

A synopsis of the main findings from comparing the changes shown by the EU-SILC and SOEP between 2006 and 2007 is presented below:

Overview 1: Comparison of changes in inequality and poverty across time and surveys

Change 2006 → 2007	EU-SILC: Germany	SOEP: Germany	EU-SILC: EU-25 (excl. Malta)
Gini	++	o	O
Median Income	++	o	++
FGT0 (risk rate), total	++	-	+
FGT0 (risk rate), children	+	-	+
FGT1 (gap), children	+	-	O

Legend: “++” strong increase; “+” increase; “o” no relevant change, “-“decrease.

By and large the EU-SILC based results on the *level* and *structure* of child poverty in Germany and especially the inter-temporal development of those figures differ from those derived from the SOEP data. Special attention may be given to the EU-SILC finding of increasing inequality and risk of poverty over the period between 2006 and 2007 (that is, income years 2005 and 2006), which was a period of economic growth when (long-term) unemployment, one of the major determinants of relative income poverty in Germany (see Frick & Grabka 2008), declined.

This difference may arise in some degree from the fact that imputed rent is included in the SOEP results for both years (in accordance with the recommendation of the Canberra Group (2001)), while this is excluded from the EU-SILC estimates.

Table 1: Overall indicators of income inequality and poverty

Table 1 Overall indicators of income inequality and poverty

	Germany		Weighted EU-25 (excluding Malta) average	
	Overall population	Children	Overall population	Children
Income distribution				
Gini-index	0.295	0.264	0.297	0.290
Relative income poverty				
At-risk-of poverty threshold (EUR, PPS)	17,707		14,690	
At-risk-of-poverty rate (%)	15.2	13.8	16.3	19.1
At-risk of poverty rate by age of child (%)				
	0-5	13.9		17.6
	6-11	12.4		18.9
	12-17	16.4		21.3
At-risk-of-poverty rates at various thresholds (%)				
	at 40% of nemii	5.1	5.3	6.2
	at 50% of nemii	9.6	9.9	11.4
	at 60% of nemii	15.2	16.3	19.1
	at 70% of nemii	22.7	24.1	28.1
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty rate)				
	at 40% of nemii	0.85		1.17
	at 50% of nemii	0.87		1.16
	at 60% of nemii	0.91		1.17
	at 70% of nemii	1.02		1.17
At-risk-of-poverty gap (%)	23.5	21.3	21.5	21.4
At-risk-of-poverty gap by age of child (%)				
	0-5	25.46		21.6
	6-11	19.32		20.9
	12-17	22.67		22.3
Non-income aspects of poverty				
Material deprivation				
	Primary indicator (%)	12.1	15.3	17.4
	Secondary indicator (mean)	3.6	3.7	3.7
Share of persons being both materially deprived and relative income poor (%)	5.32	5.33	5.98	8.04

Table 1a: Income inequality and poverty in Germany using EU-SILC vs. SOEP

Table 1a Overall indicators of income inequality and poverty in Germany: EU-SILC vs. SOEP

	Germany 2006 - EU-SILC		Germany 2007 - EU-SILC		Germany 2006 - SOEP		Germany 2007 - SOEP		Difference: EU-SILC minus SOEP - 2006		Difference: EU-SILC minus SOEP - 2007	
	Overall population	Children	Overall population	Children	Overall population	Children	Overall population	Children	Overall population	Children	Overall population	Children
Income distribution												
Gini-index	0.260	0.236	0.295	0.264	0.291	0.261	0.288	0.267	-0.031	-0.024	0.006	-0.002
Relative income poverty												
At-risk of poverty threshold (EUR, PPS)	15,617		17,707		16,649		16,622		-1,032		1,085	
At-risk-of-poverty rate (%)	12.7	12.4	15.2	13.8	14.2	16.9	13.3	15.8	-1.5	-4.5	1.9	-2.0
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty)		0.97		0.91		1.19		1.19	0.00	-0.22	0.00	-0.28
At-risk-of-poverty rates at various thresholds (%)												
at 40% of neml	4.1	3.2	5.1	4.4	3.8	4.3	3.5	3.7	0.4	-1.1	1.7	0.7
at 50% of neml	7.3	6.7	9.6	8.4	8.5	9.7	7.9	9.1	-1.2	-3.0	1.8	-0.7
at 60% of neml	12.7	12.4	15.2	13.8	14.2	16.9	13.3	15.8	-1.5	-4.5	1.9	-2.0
at 70% of neml	19.9	20.6	22.7	23.3	22.6	27.8	21.1	25.2	-2.7	-7.2	1.6	-1.9
Dispersion around poverty threshold (Share of persons in 10 percentage points income brackets around poverty threshold as												
At-risk-of-poverty gap (%)	67.5	73.9	66.1	68.4	73.4	74.4	73.9	76.7	-5.9	-0.5	-7.8	-8.4
between 40-60% of neml	42.5	46.1	36.5	39.4	40.1	42.5	41.1	42.6	2.4	3.6	-4.6	-3.2
between 50-60% of neml	56.2	66.2	49.5	68.1	59.4	64.8	58.1	59.2	-3.2	1.4	-8.6	8.9
between 60-70% of neml	20.3	18.2	23.5	21.3	24.3	23.3	24.0	23.0	-4.0	-5.0	-0.5	-1.7

Table 1b: Income inequality and poverty across time in EU-SILC and SOEP

Table 1a: Overall indicators of income inequality and poverty across time in EU-SILC and SOEP

	EU-SILC Germany 2006		EU-SILC Germany 2007		Difference 2007-2006 EU SILC Germany	
	Overall population	Children	Overall population	Children	Overall population	Children
Income distribution						
Gini-index	0.260	0.236	0.295	0.264	0.034	0.028
Relative income poverty						
At-risk-of-poverty threshold (EUR, PPS)	equivalised median income (nemi)		15,617	17,707	2,090	0
At-risk-of-poverty rate (%)	12.7	12.4	15.2	13.8	2.5	1.4
At-risk-of-poverty rate by age of child (%)						
	0-5	12.5		13.9		1.3
	6-11	12.0		12.4		0.4
	12-17	12.5		16.4		4.0
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty)			0.97	0.91		-0.06
At-risk-of-poverty rates at various thresholds (%)						
	at 40% of nemi	4.1	3.2	5.1	4.4	1.0
	at 50% of nemi	7.3	6.7	9.6	8.4	2.3
	at 60% of nemi	12.7	12.4	15.2	13.8	2.5
	at 70% of nemi	19.9	20.6	22.7	23.3	2.8
Dispersion around poverty threshold (Share of persons in 10 percentage points income brackets around poverty threshold as percentage of persons with an						
	between 40-60% of nemi	67.5	73.9	66.1	68.4	-1.4
	between 50-60% of nemi	42.5	46.1	36.5	39.4	-6.0
	between 60-70% of nemi	56.2	66.2	49.5	68.1	-6.7
At-risk-of-poverty gap (%)	20.3	18.2	23.5	21.3	3.2	3.1
At-risk-of-poverty gap by age of child (%)						
	0-5			0.25		0.25
	6-11			0.19		0.19
	12-17			0.23		0.23
Non-income aspects of poverty						
Material deprivation						
	Primary indicator (%)	13.5	17.1	12.1	14.0	-1.4
	Secondary indicator (mean)	3.5	3.5	3.6	3.6	0.0
Share of persons being both materially deprived and relative income poor (%)	4.83	5.31	5.32	5.33	0.49	0.02

	Weighted EU-25 (excluding Malta) average 2006		Weighted EU-25 (excluding Malta) average 2007		Difference 2007-2006 Weighted EU-25 (excluding Malta)	
	Overall population	Children	Overall population	Children	Overall population	Children
Income distribution						
Gini-index	0.293	0.288	0.297	0.290	0.004	0.002
Relative income poverty						
At-risk-of-poverty threshold (EUR, PPS)	equivalised median income (nemi)		12,382	14,690	2,308	0
At-risk-of-poverty rate (%)	15.8	18.5	16.3	19.1	0.5	0.5
At-risk-of-poverty rate by age of child (%)						
	0-5			17.6		
	6-11			18.9		
	12-17			21.3		
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty)			1.17	1.17		0.00
At-risk-of-poverty rates at various thresholds (%)						
	at 40% of nemi	5.1	6.3	5.3	6.2	0.1
	at 50% of nemi	9.4	11.2	9.9	11.4	0.5
	at 60% of nemi	15.8	18.5	16.3	19.1	0.5
	at 70% of nemi	23.7	27.4	24.1	28.1	0.4
Dispersion around poverty threshold (Share of persons in 10 percentage points income brackets around poverty threshold as percentage of persons with an						
	between 40-60% of nemi	67.5	65.9	67.7	67.7	0.2
	between 50-60% of nemi	40.6	39.6	39.5	40.2	-1.1
	between 60-70% of nemi	49.8	47.9	47.8	47.4	-2.0
At-risk-of-poverty gap (%)	21.2	21.4	21.5	21.4	0.3	0.0
At-risk-of-poverty gap by age of child (%)						
	0-5			0.2		0.2
	6-11			0.2		0.2
	12-17			0.2		0.2
Non-income aspects of poverty						
Material deprivation						
	Primary indicator (%)	18.8	20.3	15.3	17.4	-3.5
	Secondary indicator (mean)	3.8	3.8	3.7	3.7	-0.1
Share of persons being both materially deprived and relative income poor (%)	6.78	8.71	5.98	8.04	-0.8	-0.67

Source: EU-SILC 2007 (calculations by TARKI).

	SOEP Germany 2006		SOEP Germany 2007		SOEP Germany 2006 2007	
	Overall population	Children	Overall population	Children	Overall population	Children
Income distribution						
Gini-index	0.291	0.261	0.288	0.267	-0.003	0.006
Relative income poverty						
At-risk-of-poverty threshold (EUR, PPS)	equivalised median income (nemi)		16,649	16,622	-27	
At-risk-of-poverty rate (%)	14.2	16.9	13.3	15.8	-0.9	-1.1
At-risk-of-poverty rate by age of child (%)						
	0-5	16.5		16.4		-0.1
	6-11	14.6		14.5		-0.1
	12-17	19.4		16.7		-2.8
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty)			1.19	1.19		-0.01
At-risk-of-poverty rates at various thresholds (%)						
	at 40% of nemi	3.8	4.3	3.5	3.7	-0.3
	at 50% of nemi	8.5	9.7	7.9	9.1	-0.6
	at 60% of nemi	14.2	16.9	13.3	15.8	-0.9
	at 70% of nemi	22.6	27.8	21.1	25.2	-1.5
Dispersion around poverty threshold (Share of persons in 10 percentage points income brackets around poverty threshold as percentage of persons with an						
	between 40-60% of nemi	73.4	74.4	73.9	76.7	0.6
	between 50-60% of nemi	40.1	42.5	41.1	42.6	1.0
	between 60-70% of nemi	59.4	64.8	58.1	59.2	-1.3
At-risk-of-poverty gap (%)	24.3	23.3	24.0	23.0	-0.3	-0.3

Note: Annual Post-Government Income of the previous calendar year (in 2000 prices), including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale.

Source: SOEP 2006-2007.

Table 2 shows the links between household characteristics and child poverty based on EU-SILC 2007 for Germany and the EU-25 as a whole.

- Household characteristics associated with a high risk of child poverty include young parents, low education of parents, parents living alones, low work intensity, living in rented accommodation, living in thinly populated areas, the chronic illness of parents, and parents born outside the EU.
- While these factors are also important in other EU-25 countries, the risk of poverty for children faced with these characteristics appears to be more pronounced in Germany than in the rest of the EU.
- A closer examination of some of these characteristics, however, reveals potential biases in the EU-SILC data (that have been stressed by Hauser (2008) – see the methodological appendix on these issues). In particular, the share of highly educated parents appears to be too high (which has led to a major revision of the weighting factors provided in the P-file of the German EU-SILC 2007 data - see Horneffer & Kuchler 2008).
- The share of children with parents suffering from chronic illness is around 37%, which also appears to be very high (the corresponding EU-25 average is 28%), which may lead to parents with health limitations not being sufficiently distinguished from those without, so reducing the difference in the risk of poverty between the children concerned.

Table 2a compares results for Germany based on EU-SILC with those derived from SOEP, focusing on the variables that can be measured in a sufficiently comparable way in both surveys.

In general, the risk of poverty according to the two surveys is similar, though the social, economic and demographic structure of the population at risk differs considerably.

- In line with Hauser's (2008) critique of EU-SILC, the SOEP figures on the educational attainment of parents are more in line with external information available in Germany. Accordingly, the composition of children at risk of poverty by education of parents differs sharply between the two surveys.
- The share of children living in owner-occupied housing differs by as much as 10% between the surveys – due to the higher poverty risk among children in rented accommodation.

Table 2: Household level determinants of child poverty

		Germany				Weighted EU-25 (excluding Malta) average			
		Composition of all children (% total: 100% of children)	Composition of poor children (% total: 100% of poor children)	At-risk-of-poverty rate - children (%)	Group relative risk of poverty	Composition of all children (% total: 100% of children)	Composition of poor children (% total: 100% of poor children)	At-risk-of-poverty rate - children (%)	Group relative risk of poverty
Child's age	0-2	15	14	13	0,94	17	15	17	0,89
	3-5	17	18	15	1,08	16	15	18	0,94
	6-11	34	29	12	0,87	32	32	19	1,00
	12-17	35	39	16	1,16	35	38	21	1,10
Father's age	<30	5	(14)	(27)	(1,95)	6	9	23	1,21
	30-34	14	19	13	0,94	15	15	16	0,84
	35-39	23	20	8	0,58	24	22	15	0,79
	40-44	32	23	7	0,51	28	26	16	0,84
	45+	26	25	9	0,65	27	29	17	0,89
Mother's age	<30	10	18	26	1,88	12	17	27	1,42
	30-34	19	19	13	0,94	21	21	19	1,00
	35-39	28	25	12	0,87	27	26	18	0,94
	40-44	30	24	11	0,80	25	21	16	0,84
	45+	13	14	14	1,01	15	15	18	0,94
Household type	Single parent households (hhs)	14	39	39	2,82	11	22	37	1,94
	2 adults 1 dependent child	17	13	10	0,72	17	10	11	0,58
	2 adults 2 dependent children	40	23	8	0,58	40	29	14	0,73
	2 adults 3+ dependent children	23	21	13	0,94	21	27	24	1,26
	Other hhs with dependent children	6	(5)	(12)	(0,87)	11	12	20	1,05
Family type	Single parent with children	13	36	39	2,82	10	20	37	1,94
	Couple with 1 child	17	12	10	0,72	16	9	10	0,52
	Couple with 2 children	38	20	8	0,58	36	26	14	0,73
	Couple with 3+ children	21	20	13	0,94	18	22	23	1,21
	Other hh with children - single parent	2	(4)	(33)	(2,39)	3	5	30	1,57
	Other hh with children - couple	9	(5)	(8)	(0,58)	15	15	19	1,00
	Other hh with children - other	1	(2)	(32)	(2,31)	2	3	38	1,99
Work intensity	WI = 0	8	35	61	4,41	7	25	68	3,57
	WI = 0.01-0.49	10	20	28	2,02	10	23	42	2,20
	WI = 0.5	25	20	11	0,80	21	27	24	1,26
	WI = 0.51-0.80	30	15	7	0,51	22	13	11	0,58
	WI = 0.81-0.99	12	(3)	(3)	(0,22)	12	4	6	0,31
	WI = 1	16	7	6	0,43	27	8	6	0,31
Father's education	Low	6	20	38	2,75	21	43	32	1,68
	Medium	56	52	11	0,80	50	47	15	0,79
	High	38	28	6	0,43	29	10	5	0,26
Mother's education	Low	8	23	37	(2,67)	21	41	36	1,89
	Medium	56	52	13	0,94	52	48	17	(0,89)
	High	36	26	10	0,72	28	10	7	0,37
Parents' education	Low	4	16	52	3,76	14	33	42	2,20
	Medium	40	48	16	(1,16)	49	53	20	(1,05)
	High	56	36	9	(0,65)	37	14	7	0,37
Tenure status	Owner	60	33	8	0,58	68	47	13	0,68
	Tenant	40	67	24	1,73	32	53	32	1,68
Urbanisation degree	Densely populated area	44	46	15	1,08	(46)	46	19	1,00
	Intermediate area	(39)	33	12	0,87	(29)	25	17	0,89
	Thinly populated area	18	20	16	1,16	(25)	29	22	1,15
Health status of parents	Healthy parents	63	62	14	1,01	72	69	18	0,94
	At least 1 parent has any chronic illness	37	38	14	1,01	28	31	21	1,10
Migrational status of parents	Both born within EU	89	77	8	0,58	89	79	14	0,73
	One parent born outside of the EU	6	(8)	30	(0,87)	5	5	41	0,89
	Both parents born outside EU	5	15	(12)	2,17	6	15	17	2,15
Migrational status of parents	Non-migrant parents	95	87	13	0,94	93	85	17	0,89
	Parents born in other EU Member State	(0)	(0)	35	(0)	2	3	26	1,36
	Parents borns outside EU	5	13	(0)	2,53	5	12	42	2,20

Table 2a: Household level determinants of child poverty according to EU-SILC and SOEP, 2007

	Germany 2007 - EU-SILC				Germany 2007 - SOEP				EU-SILC minus SOEP - 2007				Relative Deviation: EU-SILC minus SOEP - 2007				
	Composition of all children (% total: 100% of children)	Composition of poor children (% total: 100% of poor children)	At-risk-of-poverty rate children (%)	Group relative risk of poverty	Composition of all children (% total: 100% of children)	Composition of poor children (% total: 100% of poor children)	At-risk-of-poverty rate children (%)	Group relative risk of poverty	Composition of all children (% total: 100% of children)	Composition of poor children (% total: 100% of poor children)	At-risk-of-poverty rate children (%)	Group relative risk of poverty	Composition of all children (% total: 100% of children)	Composition of poor children (% total: 100% of poor children)	At-risk-of-poverty rate children (%)	Group relative risk of poverty	
Child's age	0-2	14.6	14	13	0.94	10.9	12.3	18.0	1.14	3.78	1.67	-4.99	-0.20	26	12	-38	-21
	3-5	17.0	18	15	1.08	16.4	16.0	15.5	0.98	0.62	1.96	-0.54	0.10	4	11	-4	9
	6-11	33.5	29	12	0.87	34.6	31.5	14.5	0.91	-1.01	-2.49	-2.46	-0.04	-3	-9	-21	-5
	12-17	34.8	39	16	1.16	36.2	40.2	16.7	1.05	-3.99	-1.15	-0.67	0.11	-10	-3	-4	9
Father's age	<30	5.0	14	27	1.95	4.0	14.0	34.9	2.21	0.99	0.03	-7.88	-0.26	20	0	-29	-13
	30-34	14.0	19	13	0.94	11.6	9.6	8.3	0.52	2.44	9.45	4.75	0.42	17	50	37	44
	35-39	23.3	20	8	0.58	25.1	28.2	11.2	0.71	-1.81	-8.15	-3.19	-0.13	-8	-41	-40	-22
	40-44	31.9	23	7	0.51	31.5	29.2	9.3	0.59	0.43	-6.19	-2.26	-0.08	1	-27	-32	-15
	45+	25.7	25	9	0.85	27.8	19.1	6.9	0.44	-2.05	5.86	2.11	0.21	-8	23	23	33
Mother's age	<30	9.6	18	26	1.88	10.8	21.9	31.7	2.01	-1.13	-3.93	-5.73	-0.13	-12	-22	-22	-7
	30-34	18.9	19	13	0.94	15.7	15.6	15.5	0.98	3.18	3.43	-2.46	-0.04	17	18	-19	-4
	35-39	28.2	25	12	0.87	29.5	24.3	12.9	0.81	-1.26	0.69	-0.85	0.06	-4	3	-7	7
	40-44	29.8	24	11	0.80	28.5	27.2	14.9	0.94	1.26	-3.17	-3.86	-0.14	4	-13	-35	-17
	45+	13.5	14	14	1.01	15.5	11.0	11.1	0.70	-2.05	2.98	2.94	0.31	-15	21	21	31
Household type	Single parent households (hhs)	13.9	39	39	2.82	14.7	48.1	51.9	3.28	-0.76	-9.11	-12.88	-0.46	-5	-23	-33	-16
	2 adults 1 dependent child	17.3	13	10	0.72	25.5	15.3	9.5	0.60	-8.17	-2.26	0.49	0.12	-47	-17	5	16
	2 adults 2 dependent children	40.4	23	8	0.58	39.8	18.3	7.3	0.46	0.60	4.70	0.69	0.12	1	20	9	20
	2 adults 3+ dependent children	22.7	21	13	0.94	18.6	17.0	14.5	0.91	4.12	4.05	-1.46	0.03	18	19	-11	3
	Other hhs with dependent children	5.7	5	12	0.87	1.5	1.4	14.7	0.93	4.20	3.63	-2.66	-0.06	74	73	-22	-7
	Father's education	Low	6.3	20	38	2.75	13.2	24.7	19.3	1.22	-6.86	-4.69	18.67	1.53	-109	-23	49
Medium	55.8	52	11	0.80	62.5	64.9	10.7	0.68	-6.65	-12.93	0.29	0.12	-12	-25	3	15	
High	37.9	28	6	0.43	24.4	10.4	4.4	0.28	13.51	17.63	1.61	0.15	36	63	27	35	
Mother's education	Low	8.3	23	37	2.67	19.3	40.2	31.8	2.01	-10.95	-17.17	5.21	0.66	-132	-75	14	25
	Medium	55.6	52	13	0.94	63.5	52.1	12.5	0.79	-7.95	-0.12	0.50	0.15	-14	0	4	16
	High	36.1	26	10	0.72	17.2	7.7	6.8	0.43	18.91	18.28	3.16	0.29	52	70	32	40
Tenure status	Owner	60.4	33	8	0.58	50.3	9.5	3.0	0.19	10.15	23.46	4.99	0.39	17	71	62	67
	Tenant	39.6	67	24	1.73	49.7	90.5	28.9	1.82	-10.15	-23.46	-4.85	-0.09	-26	-35	-20	-5

Annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale. Source: SOEP 2006-2007 and EU-SILC 2006-2007 (release 2009).

Finally, an alternative measure of low income among children is the share of individuals receiving public transfers according to the regulations set out in the SGB II (*Sozialgesetzbuch II*). This includes unemployment benefit (*Arbeitslosengeld*) for the 'employable' population (those aged 15 to 64) as well as *Sozialgeld* for non-employable co-resident family members, mostly children (see Table 2b).

The number of children in households receiving these transfers was almost 2 million in December 2006, or 16.6% of the total under the age of 15.

In contrast, less than 10% of the employable population receive these transfers². In the Eastern part of Germany, almost 30% of all children were among these recipients compared with 14% in the Western part. While these figures were much the same in 2007, there was a marked increase in December 2008 reflecting the first effects of the economic recession.

Table 2b: Receipt of Transfers according to SGB II¹⁾ by Gender, Age Groups and Region

	Under 15 years of age	Employable Recipients aged 15 to 64 years	Recipients of Transfers according to SGB II, total (0 to 64 years)
December 2006			
Federal Republic of Germany	16.6	9.7	11.0
December 2007			
○ West Germany (excl. Berlin)	13.9	7.6	8.8
○ East Germany (incl. Berlin)	29.8	16.2	18.2
Federal Republic of Germany	16.4	9.4	10.7
December 2008			
○ West Germany (excl. Berlin)	16.8	n.a.	n.a.
○ East Germany (incl. Berlin)	31.6	n.a.	n.a.
Federal Republic of Germany	19.9	n.a.	n.a.

¹⁾ Number of recipients of *Arbeitslosengeld II* and *Sozialgeld* respectively, divided by the total number of the population in the age group.

Source: Own calculations from Federal Labour Agency and Bertelsmann Foundation (2009): Ländermonitor "Frühkindliche Bildungssysteme".

² These figures include individuals who are entirely dependent on social transfers as well as those who receive transfers along with other income.

1.2 Trends: interpretation of time-series results (1996-2007) based on SOEP data

Existing analyses based on ECHP data for the period 1996-2001 show the risk of poverty among children in Germany falling slightly from 15% in 1996/97, to 13% for the rest of the 1990s and rising marginally to 14% in 2001.

Table 3: Trends in child at-risk-of poverty (CP) rates in EU-15 countries, 1996-2001

		1996	1997	1998	1999	2000	2001
	EU-15	19	19	19	19	20	20
CP rate <10%	FI	5	5	5	7	6	9
	DK	:	6	:	7	:	7
	SE	:	7	:	7	:	7
10% <CP rate <20%	BE ¹⁰	15	14	13	12	11	12
	DE	15	15	13	13	13	14
	NL	14	13	14	14	17	17
	AT	18	15	15	14	12	13
	FR	16	16	16	17	18	16
	EL	19	18	17	17	19	18
CP rate > 20%	LU	14	16	20	19	18	18
	IT	24	23	21	22	25	25
	IE	27	25	23	21	22	26
	ES	23	26	24	25	25	26
	PT	23	25	26	26	26	27
	UK	25	27	29	29	27	23

Source: EC (Marlier et al) – child poverty report, 2008, p. 17.

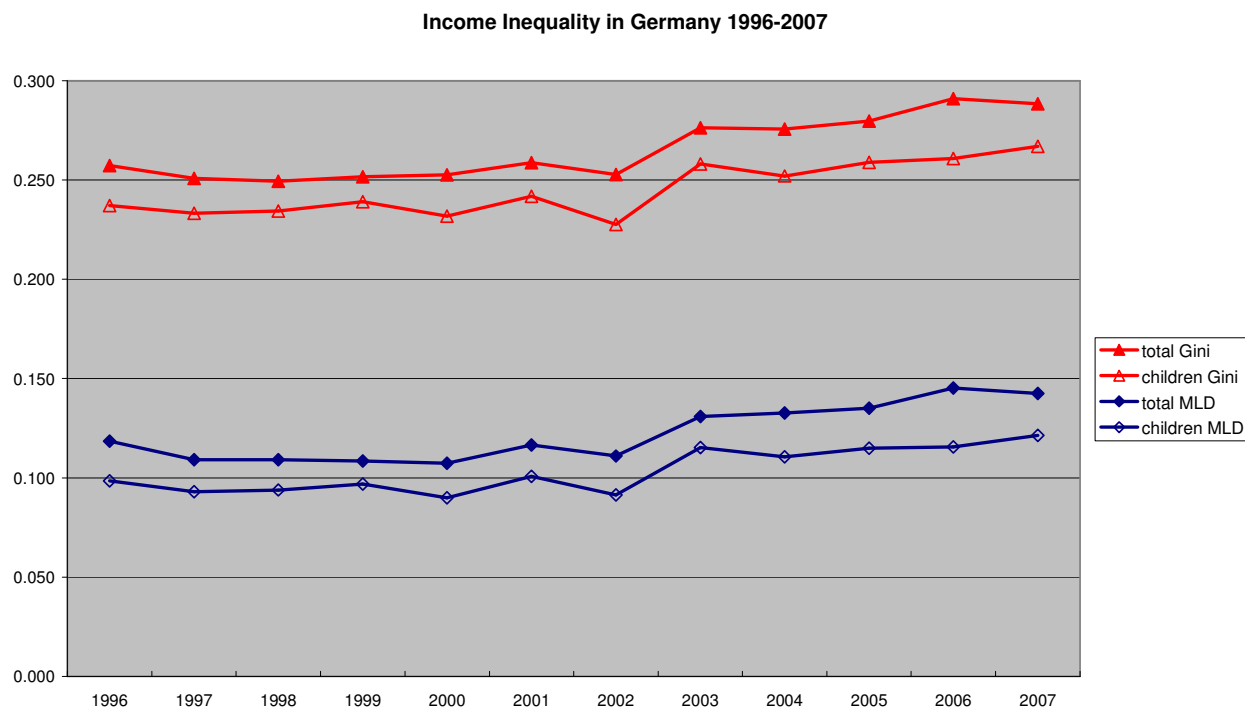
In the following section, trends in inequality and poverty rates are examined over the period from 1996 (i.e. after the first period of economic turbulence following German unification) to 2007.

These need to be related to trends in the composition of population in terms of migrant status and household type.

Figure 1 shows that the stable situation described for Germany by Marlier et al (2008) up to the turn of the millennium is no longer the case. In line with the literature (see e.g. Frick & Grabka 2008), there is a clear upward trend in equivalised income inequality in Germany since the early 2000s.

In general, inequality among the overall population is consistently higher than for children – this finding holds irrespective of the inequality measure used (from the Gini coefficient as well as the MLD).

Figure 1: Income Inequality in Germany, 1996-2007

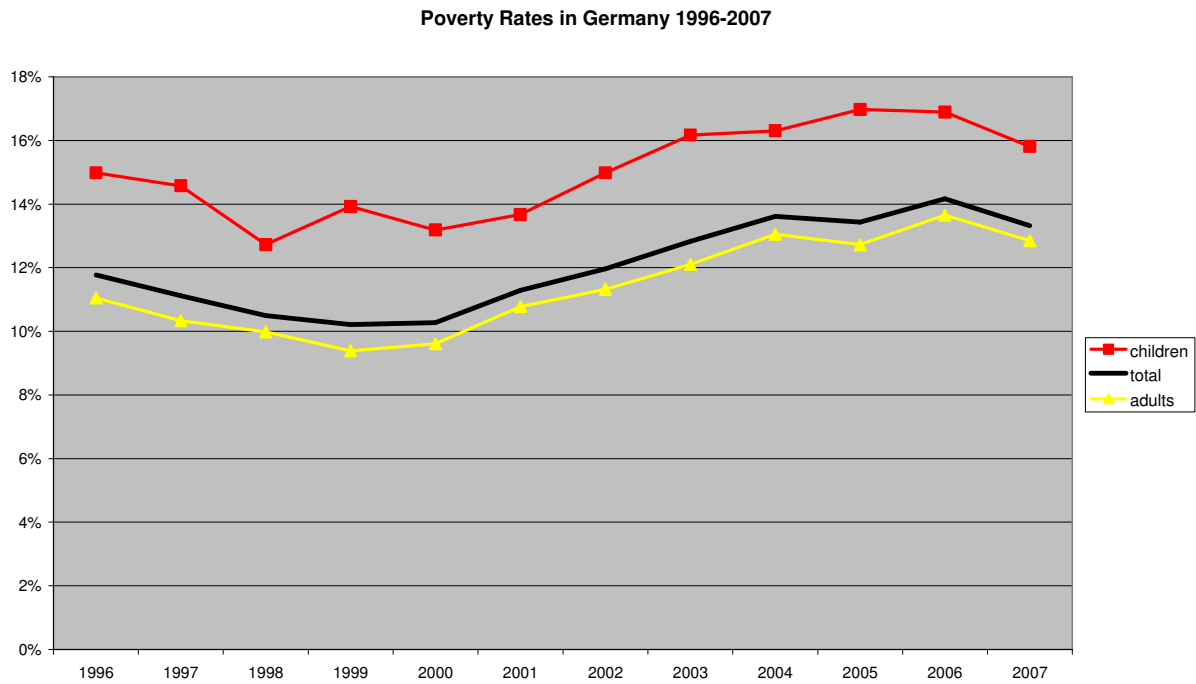


Note: Annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale. Source: SOEP 1996-2007.

As would be expected, Figure 2 shows a parallel development of the at-risk of poverty rates for both the overall population and children – children being more exposed to such risk than the population as a whole.

In addition, from around 2000, there is a trend towards higher poverty rates which came to a (temporary) halt in 2007 reflecting the significant reduction in (long-term) unemployment resulting from the years of economic growth (see Frick & Grabka 2008).

Figure 2: Poverty risk rates in Germany, 1996-2007



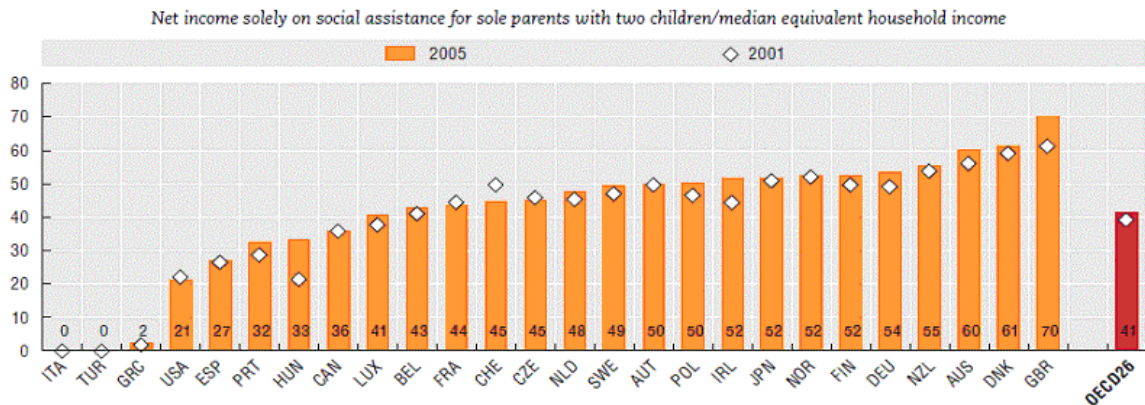
Note: Annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale. Source: SOEP 1996-2007.

Differentiating children by household type, Figure 4 confirms the well-established finding that children of lone parents are more severely affected by a risk of poverty than children living with two parents. This is the case despite the level of social assistance for lone parents being higher in Germany than in other countries (see Figure 3).

Children in couple households with only one or two children (up to 17 years of age) face a poverty risk rate of at most 10%, whereas those in households with 3 or more children have a higher risk.

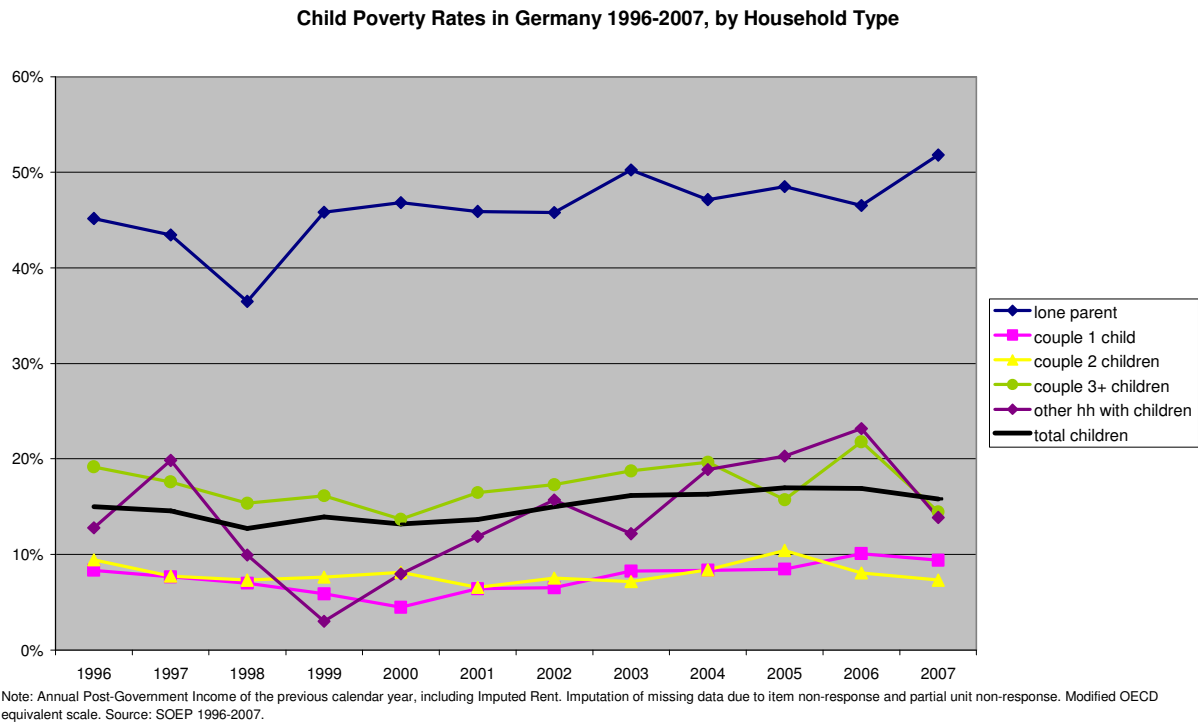
However, according to time-series data, it appears that there is a slightly increasing risk of poverty for all types of household distinguished in Figure 4.

Figure 3: “[EQ4.1] Sole parent families with no market income face high poverty risks in some countries”



Source: OECD - Society at a Glance 2009, p. 97.

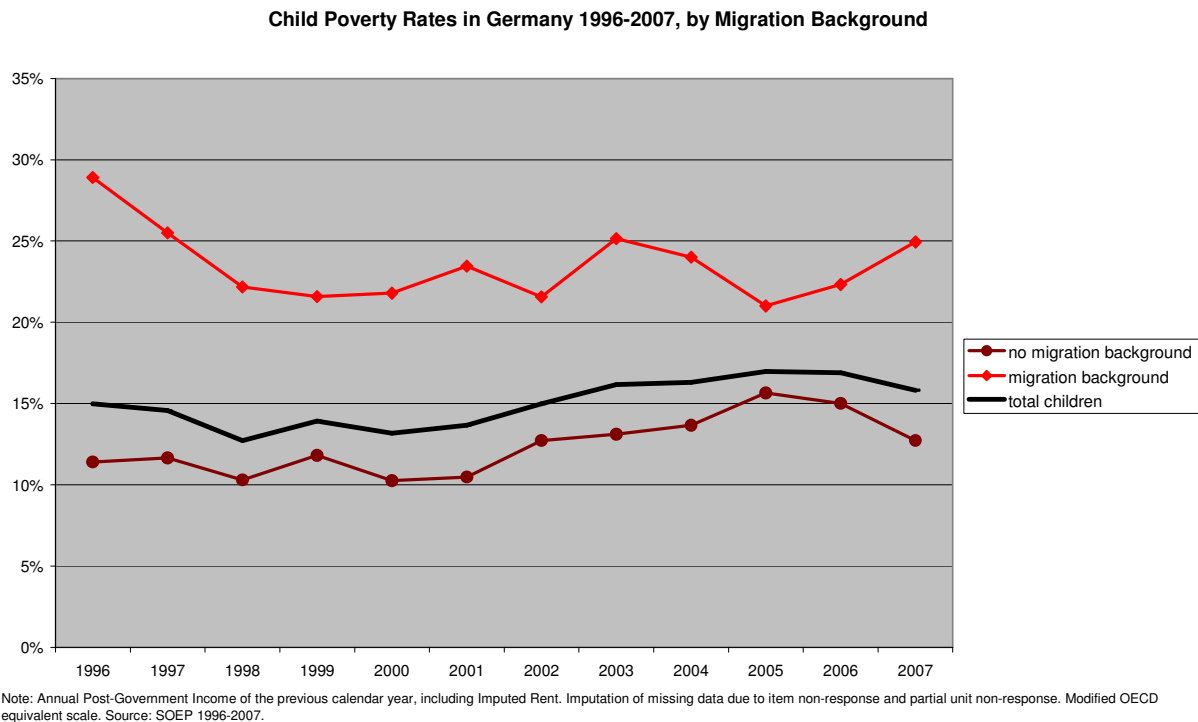
Figure 4: Child poverty risk rates in Germany 1996-2007, by household type



Finally, Figure 5 differentiates children by migration status.

The massive influx of immigrants into Germany after the fall of the Berlin Wall led to a higher risk of poverty which levelled off in the late 1990s and has remained broadly unchanged since then.

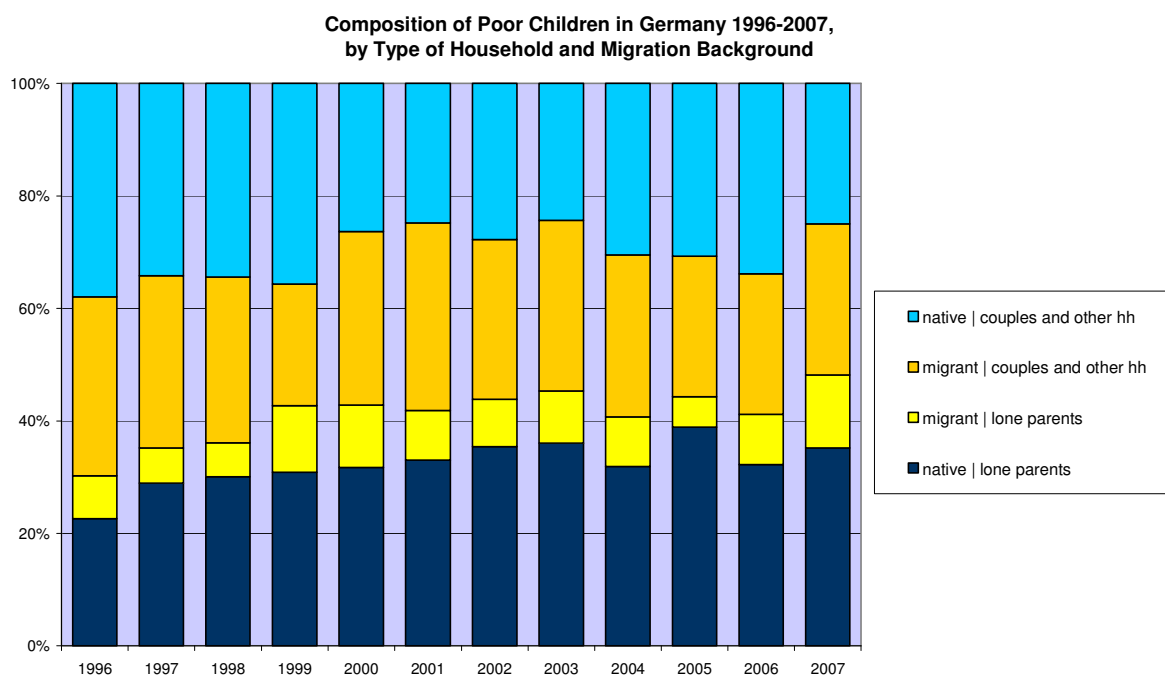
Figure 5: Child poverty risk rates in Germany 1996-2007, by migration status



Summing up, Figures 4 and 5 reveal that child at-risk-of-poverty rates are more pronounced among children of migrants and those living in lone parent families.

Figure 6 shows the change over time in the socio-demographic composition of children at risk. This population is made up increasingly of migrants and children living with lone parents. While in 1996 around 62% of all children at risk of poverty were either migrants or lived with a lone parent, this had risen to 75% in 2007.

Figure 6: Composition of children in poverty in Germany 1996-2007, by household type and migration status



Note: Poverty defined on the basis of annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale. Source: SOEP 1996-2007.

As well as these cross-sectional and chronological findings there is empirical evidence that intergenerational mobility in Germany is relatively low (according to PISA, see also Breen 2004). These results are complemented by Frick, Grabka and Groh-Samberg (2008) who analyse the redistributive effects of non-monetary income benefits arising from publicly-provided education, taking account of regional and education-specific variations.

In a simple cross-sectional perspective, publicly provided education has the expected levelling effect, since all households with children attending any type of school benefit from public education. However, the effects of accumulated educational transfers in kind are larger for households with higher incomes, since the children concerned attend educational institutions for a much longer time (including pre-primary, higher secondary and tertiary education) than low-income households. There is, therefore, evidence of a reinforcement of economic inequalities through public funding of *non-compulsory* education.

1.3 Absolute poverty

There are no representative data on absolute poverty among children in Germany, though estimates of the number of homeless children are in the range of 1,500 to 2,500 (www.offroadkids.de).

2. Impact and effectiveness of policies in place

2.1 Overall approach

Main features of policy

In Germany, there is no unifying strategy or distinct programme aimed at fighting child poverty. However, child poverty has become a major topic in social policy and a range of policy programmes and benefits serve to reduce child poverty at least indirectly. This situation might reflect the fact that when poverty came back on to the political agenda in the late 1970s, poverty rates of the elderly, in particular of widows, were a top priority. This age profile of poverty was gradually reversed in Germany during the 1980s and 1990s, echoed by the slogan of the “Infantilisation” of poverty (cf. Hauser 1997) which appeared in the late 1990s. From then on time, children have become the age group with the highest risk of poverty (see also Chapter 1 above).

Policies targeted at preventing child poverty can be grouped under two main strands: social policies aimed at reducing poverty and social exclusion and policies aimed at supporting families with children. In response to the relatively low performance of German pupils revealed by the PISA results and the rising risk of poverty and social exclusion among migrant children, a general shift occurred within social policy: away from providing (unconditional) monetary benefits towards services and measures aimed at fostering the skills, abilities and competencies of individuals and equality of opportunity. This general policy shift is reflected in the paradigm of “activating policies”, imposing a new understanding of the relationship between the state, the market and the civil society, under which social policy is aimed at activating individuals to help themselves, rather than simply to provide income support. As a consequence, unconditional monetary benefits have been called into question and pushed into the backyard of social policy.

This way of thinking has been reinforced by debates around social inequalities, pointing to the importance of educational attainment, the intergenerational reproduction of poverty and social disadvantage and the importance of intervention in early childhood. The main message from these debates is that sustainable and effective intervention in social processes needs to focus on shaping individual competences and abilities in the very early stages of life. This also includes early intervention schemes, which operate at a local level and combine monitoring systems with social support programmes: for example obligatory home visits by social workers to households with newborn babies.

However, the idea of a motivating social policy is called into question when it is misused as a simple means of cutting back monetary benefits for the most needy and saving on public spending on welfare. In many recent policy programmes, the close relationship between activation policies and budget-neutral transformation of benefit-orientated social policies into service-orientated policies often turns good ideas into worse practise – as shown in more detail below³.

Clarity of objectives and targets

The rather indirect way of addressing the risk of child poverty is also reflected in the definition of policy targets concerning children. The German government has never declared a goal for reducing child poverty to a certain threshold. However, such targets have been defined with respect to the betterment of children in general, particularly children of migrants.

In response to the UN Convention on the Rights of the Child initiative, the Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) has developed a National Plan of Action for Children (2005-2010). This action plan is intended to promote children's well-being and to monitor it through an indicator-based system. Five areas of activity have been outlined: equal opportunities

³ See also the very recent statement of the “*Bundesjugendkuratorium*” (2009), an advisory committee of experts installed by the German Government to assess the situation of children and youth in Germany, which explicitly argues against the neglect of the role of monetary transfers.

through education, growing up without violence, promotion of health and health related environmental conditions, social participation of children and young people, and adequate standards of living for children. The monitoring system specifies instruments and measures based on a complex and multidimensional understanding of childhood poverty.

Recently, the German Government has declared target goals with respect to education: public expenditure on education is to be increased to 10% of GDP by 2015 (from 6.2% in 2006), and the proportion of those leaving school without any certificate is to be cut by half from 8% to 4% by 2015.

The most relevant explicitly defined targets concern the intended increase in childcare. In 2007, the Ministry for Family Affairs (BMFSFJ) declared it will provide childcare opportunities for almost 35% of all children under 3 by 2013.

In order to provide new impetus to the strengthening of the inclusion and social integration of immigrants, an integration summit with representatives from the Federal Government, the Federal States and local authorities was held for the first time in July 2006, at which it was agreed to draw up a National Integration Plan and to define central themes and guidelines of the integration policy for the next few years.

2.2 Income Support

Overview of existing benefits

In December 2006, a competence team was established within the Ministry for Family Affairs to assess systematically all monetary transfers targeted at the family. The final report covers 156 programmes for 2007, with an overall budget of EUR 183 billion.

Eight programmes with a budget of EUR 71 billion are related to marriage. The transfers concerned, e.g. widow pensions or tax advantages for married couples (*Ehegattensplitting*), are not related to the needs and resources of families with children, but are based instead on a conservative ideology in favour of traditional family patterns centring on marriage.

Of the remaining EUR 112 billion, EUR 43 billion is devoted to families to compensate for the financial burden of raising children (*Familienlastenausgleich*). Transfers under this heading are intended to redistribute incomes from households without children to those with (*horizontal* redistribution) and mainly include child benefit and a range of child allowances.

Child benefit is a basic flat rate of EUR 164 per month for the first and second child, EUR 170 for the third child, and EUR 195 for the fourth and further children. However, for households with taxable income above a certain level, child benefit is paid as a tax allowance, resulting in a higher income advantage for higher income households.

Table 4: Family related social transfers in Germany, 2007

Type of transfer	Budget (in billion €)
1. Transfers related to Marriage	71.5
Widow pensions	39.9
Tax advantages from joint taxation of married couples (<i>Ehegattensplitting</i>)	21.0
Free membership of spouses in the health security system	10.1
Other minor transfers	0.5
2. Family compensating transfers (<i>Familienlastenausgleich</i>)	42.6
Child benefit (<i>Kindergeld</i>)	34.2
Child allowances in a diverse range of programmes (e.g., home ownership)	8.4
3. Family supporting transfers (<i>Familienförderung</i>)	23.2
Contributions for mothers to old age insurance system	11.5
Child related transfers in the social assistance system (<i>ALG II</i>)	4.4
Parental leave benefits (<i>Elterngeld/Erziehungsgeld</i>)	3.8
Other minor transfers (e.g., for educational training)	3.5
4. Social Insurance System (child allowances)	25.0
Health, health care, and accident insurance	21.9
Unemployment insurance	2.3
Old age insurance	1.3
5. In-kind transfers	20.8
Childcare	11.9
Youth	8.9
Total	183.1

Around EUR 23 billion is spent on supporting families with children (*Familienförderung*), on parental leave benefits, contributions to the old age insurance system for mothers and child-related benefits in the social security system. The last includes child supplementary benefit (*Kinderzuschlag*) up to a maximum of EUR 140 per child, introduced in 2005 along with the reform of unemployment benefits and social assistance ("*Hartz IV*"). Child supplementary benefit is targeted at households that fall below the needs thresholds of the new unemployment benefit (*ALG II*) *only because* they have children and is aimed at reducing the non-take-up of *ALG II* (also known as *Hartz IV*) due to the associated social stigma.

Another EUR 25 billion went into the social insurance system, mainly to finance the exemption of fees for children and spouses in the health insurance system.

Criticism and reform proposals

The German family policy has been criticised for three major reasons: *first*, for the orientation of many programmes towards marriage, rather than towards the needs of actual families i.e., those with children. This mainly concerns the tax regulations for married couples (*Ehegattensplitting*), which give income advantages to couples, one with relatively high earnings and one with relatively low earnings or no earnings at all. The incentive for mothers to reduce the number of hours they work (and to allow their husbands to maximise their workload), therefore, directly acts against the objective of integrating mothers into the labour market by improving childcare services, in particular.

Second, child benefit assists higher income families more, because they are able to exempt a higher amount from their income taxes, whereas families with lower income are paid a flat child benefit. However, child benefit is a horizontal transfer in that it redistributes incomes from households without children to families with children.

Third, it is widely argued that the true costs of children are not covered by child benefit and the child allowances included in the new social assistance scheme (in effect since 2005). In reaction to this criticism, the Federal Government agreed to a rise in the needs calculations for children as from July 2009, children between 6 and 14 being assumed to have 70% of the needs of a single adult (as compared to 60% previously), which yields an additional transfer of EUR 40 per month. Nevertheless, these changes are still criticised (by welfare organisations, the so-called *Paritätischer Wohlfahrtsverband*, and the expert committee *Bundesjugendkuratorium* [2009]) for being insufficient to capture the true costs concerned which are estimated to be an additional EUR 89 for this age group (a decision by the Federal Court is pending at the time of writing).

A more general criticism is that child-related social transfers in Germany are rather diverse and spread across a broad range of transfers and regulations and, partly as a result, fail to provide an overall level of child protection that meets the needs of families with children. Accordingly, an effective reform to combat child poverty and to meet the respective goals set out by the German Government requires a genuine child benefit that is independent from the employment status of the parents and based on the real costs of children.

There are several current reform proposals of this kind. For example, Caritas Germany (2008) suggests further developing child benefit, child supplementary benefit and housing benefit in order to guarantee a minimum standard of living for children. Irene Becker and Richard Hauser (2008) propose replacing the existing child supplementary benefit, which is embedded in the framework of the unemployment benefit II, by an independent supplementary child benefit that is conditional on the needs of families with children, but unconditional on any labour market policy measure. The expert committee commissioned by the German Government (*Bundesjugendkuratorium* 2009) has opted for a two-stage strategy of improving existing benefits towards providing an effective means of protecting children from poverty in the first stage and integrating the improved benefits into a single basic safety net for children in a second stage. A more radical reform proposal suggests a universal child benefit of EUR 500 per child per month, which takes priority over other social transfers and is liable to the standard rate of income tax (*Bündnis Kindergrundsicherung* 2009).

Indicators of policy impact

Compared to other European countries Germany exhibits a high overall level of family related and other social transfers – focusing on cash benefits alone (see Table 4)⁴. The “distributional index” as regards family-related transfers amounts to as much as 3.6 for all households with children, which places Germany in third place after Denmark (3.8) and Finland (4.1). However, households with children also score very high on the distributional index as regards other social transfers. Considering both types of transfers, therefore, the share of transfers received by households with children, weighted by the share of those households in the overall population (i.e., the distributional index), is among the highest in the EU-25. Family-related transfers make up a larger share of income and also show a higher effect in reducing the risk of poverty in Germany than in other EU countries (around 40-50% higher – see Table 4).

However, looking at the relative distribution across household types, there appears to be some errors in targeting family and social transfers in Germany. In relative terms, all household types particularly exposed to the risk of poverty and social exclusion (for example lone parent households, households with very young children and immigrants) receive less than in other EU-25 countries. For example, households with children with income below the poverty threshold in Germany receive 14% of all family-related transfers received by households with children, compared to 18% in the EU-25. Moreover, the overall share of family-related as well as other social transfers reaching families with children is lower (79%) in Germany than the EU-25 average (89%). Therefore, despite the high overall level of transfers in Germany, transfers are less targeted on those in need than elsewhere.

⁴ As such, any cross-national comparison of this type will be hampered by differences arising from national policies focusing on the provision of in-kind transfers rather than monetary benefits (see the results of a comparative European research project at <http://www.iser.essex.ac.uk/research/euromod/aim-ap-project>).

Table 5: Indicators of policy impact

		Germany				Weighted EU-25 (excluding Malta) average			
		Family/child-related benefits		Social transfers (excl. pensions)		Family/child-related benefits		Social transfers (excl. pensions)	
		A. Distribution of social transfers among those living in households				A. Distribution of social transfers among those living in households			
		Transfer		Transfer		Transfer		Transfer	
		Distribution (%)	distribution index	Distribution (%)	distribution index	Distribution (%)	distribution index	Distribution (%)	distribution index
All households	Households without children	21	0.28	56	0.72	11	0.19	51	0.71
	Households with children	79	3.64	44	2.02	89	2.07	49	1.75
		Households with children							
Age of child	Household without child age 0-5	54	0.91	55	0.94	48	0.83	52	0.91
	Household with atleast 1 child age 0-5	46	1.13	45	1.09	52	1.22	48	1.13
Household type	Single parent hhs	14	0.86	20	1.19	16	1.27	20	1.58
	2 adults with 1 dependent child	18	0.61	20	0.69	16	0.56	18	0.67
	2 adults with 2 dependent children	38	1.07	33	0.93	34	0.97	30	0.85
	2 adults with 3+ dependent children	22	1.83	19	1.58	26	2.21	20	1.76
	Other hhs with children	7	1.18	8	1.22	9	0.68	11	0.87
Family type	Single parent with children	13	0.83	18	1.19	14	1.19	18	1.60
	Couple with 1 child	17	0.60	19	0.68	14	0.55	17	0.66
	Couple with 2 children	34	1.08	29	0.91	31	1.01	26	0.86
	Couple with 3+ children	20	1.84	17	1.57	21	2.35	17	1.83
	Other hh with children - single parent	3	1.15	3	1.29	4	0.92	5	1.15
	Other hh with children - couple	13	1.21	14	1.21	14	0.79	16	0.89
	Other hh with children - other	1	0.69	1	0.88	1	0.89	2	1.20
Poverty status	Non-poor	86	1.00	81	0.94	82	0.99	78	0.94
	Poor	14	0.99	19	1.38	18	1.04	22	1.30
Work intensity of household	WI = 0	8	1.01	20	2.36	11	1.56	18	3.17
	WI = 0.01-0.49	12	1.17	17	1.66	13	1.22	18	1.72
	WI = 0.5	24	1.16	20	0.97	20	1.06	18	0.98
	WI = 0.51-0.80	28	0.96	23	0.77	23	1.05	20	0.94
	WI = 0.81-0.99	11	0.82	8	0.60	12	1.00	10	0.91
	WI = 1	15	0.86	11	0.64	20	0.71	15	0.47
Migrational background	Non-migrant parents	94	0.99	92	0.97	90	0.97	88	0.94
	From other EU Member State	0	#DIV/0!	0	#DIV/0!	1	1.28	1	1.41
	From outside EU	5	1.08	7	1.50	8	1.33	10	1.67
		B. The role of transfers within household income (%)				B. The role of transfers within household income (%)			
		Households with children	Households without children	Households with children	Households without children	Households with children	Households without children	Households with children	Households without children
Overall share of transfers		11.7	1.1	20.6	16.9	8.0	0.5	16.5	
Age of child	Household without child age 0-5	10.6		19.2		6.6		14.7	
	Household with atleast 1 child age 0-5	13.4		22.7		9.9		18.9	
Household type	Single parent hhs	19.4		43.6		15.9		38.5	
	2 adults with 1 dependent child	7.5		13.8		4.8		11.4	
	2 adults with 2 dependent children	10.8		15.5		6.9		12.6	
	2 adults with 3+ dependent children	15.4		22.6		14.6		23.6	
	Other hhs with children	9.4		17.3		4.6		10.6	
Family type	Single parent with children	19.5		44.4		16.2		39.4	
	Couple with 1 child	7.4		13.5		4.7		10.9	
	Couple with 2 children	11.0		15.4		7.2		12.6	
	Couple with 3+ children	16.9		24.5		15.8		24.6	
	Other hh with children - single parent	16.3		30.1		9.8		23.2	
	Other hh with children - couple	8.6		15.2		4.9		10.4	
	Other hh with children - other	9.4		24.9		8.8		24.4	
Poverty status	Non-poor	9.9	0.8	15.7	37.0	6.4	0.3	12.3	25.5
	Poor	23.2	2.2	51.0	13.3	16.1	1.0	36.6	10.6
Work intensity of household	WI = 0	23.7	1.7	75.9	48.8	22.1	0.9	64.1	37.2
	WI = 0.01-0.49	15.7	3.8	36.8	30.4	11.6	1.4	30.7	22.6
	WI = 0.5	12.2	1.7	16.4	12.9	8.5	0.6	14.9	10.3
	WI = 0.51-0.80	10.0	2.2	13.3	8.5	7.0	0.7	12.5	7.6
	WI = 0.81-0.99	8.1	1.0	9.9	3.8	5.8	0.4	9.4	4.6
	WI = 1	8.4	0.5	9.4	1.4	4.9	0.2	7.1	1.8
Migrational background	Non-migrant parents	12	4.48	20	15.08	9.0	1.2	20.8	10.1
	From other EU Member State	0	5.35	0	5.35	11.7	1.8	29.6	12.6
	From outside EU	16	5.11	38	21.07	8.1	2.3	16.4	18.5
		C. Impact of transfers (%)				C. Impact of transfers (%)			
		Poverty reduction impact	Composition of children being poor before transfers, but not after	Poverty reduction impact	Composition of children being poor before transfers, but not after	Poverty reduction impact	Composition of children being poor before transfers, but not after	Poverty reduction impact	Composition of children being poor before transfers, but not after
Overall impact		31		54		21		42	
Age of child	0-5	33	36	57	36	25	39	42	36
	6-11	33	34	58	34	21	33	37	32
	12-17	27	29	47	30	16	28	42	31
Household type	Single parent hhs	16	16	42	24	13	14	41	22
	2 adults with 1 dependent child	20	(7)	46	9	16	7	41	9
	2 adults with 2 dependent children	35	28	57	26	22	30	40	27
	2 adults with 3+ dependent children	49	45	67	35	29	42	47	32
	Other hhs with children	21	(3)	56	(5)	14	7	36	9
Family type	Single parent with children	16	14	46	22	13	12	41	20
	Couple with 1 child	36	(7)	58	8	22	7	41	8
	Couple with 2 children	47	26	66	24	30	28	48	25
	Couple with 3+ children	24	42	43	33	15	37	40	28
	Other hh with children - single parent	33	(3)	67	(3)	17	4	38	5
	Other hh with children - couple	11	(8)	28	9	11	12	27	12
	Other hh with children - other	31	0.0	55	0.0	20	0	41	0
Work intensity of household	WI = 0	4	(3)	38	17	3	3	25	12
	WI = 0.01-0.49	24	15	55	20	12	12	39	20
	WI = 0.5	48	37	63	28	28	38	45	30
	WI = 0.51-0.80	45	26	62	21	32	24	54	20
	WI = 0.81-0.99	47	(6)	68	5	34	8	55	7
	WI = 1	49	13	0	9	33	15	0	11
Migrational background	Non-migrant parents	32	94	56	92	22	90	43	88
	From other EU Member State	0	(0)	0	(0)	20	1	37	1
	From outside EU	19	(6)	43	8	14	9	36	11

2.3 Access to the labour market and income from employment

Access to the labour market

In recent years, all political parties in Germany have generally accepted the importance of early and all-day childcare. Such childcare provides two important features in one: It enables mothers to participate in the labour market and to accumulate work experience. This is particularly important given the high at-risk-of-poverty rates of single-mother households. On the other hand, high-quality early and all-day childcare serves as a means of “compensatory education”, enabling children from low educated and from migrant families to catch up with other children in terms of language proficiency and school-relevant skills, and providing social competencies for all as a precondition for successful schooling.

Under the Day Care Expansion Law (*Kinderbetreuungsbaugesetz*) introduced in 2005, the proportion of children attending day care has already been increased. By March 2007, 15.5% of all children under the age of three were either in nursery schools or in day-care centres in Germany. Moreover, the European objective of a 90% care rate for children between 3 and compulsory school age had almost been achieved by 2007.

In March 2007, barely one in five children under the age of 10 (19.4%) were cared for outside school in an after-school club or by a childminder. Progress, however, is currently being made in the extension of all-day education and care across the German *Länder*, in particular in newly established regional programmes. Almost 13% of school-children attending primary school were in all-day schools in the academic year 2006/2007, as compared with only 4% in 2002 (KMK 2008).

The “Future, Education and Care” investment programme (IZBB) for the consolidation and expansion of all-day schools (2003 to 2009) has given assistance to around 6,400 all-day schools. In order to ensure that the best use is made of the investment, the Federal Government in close consultation with the *Länder* has conducted comprehensive parallel research since 2005, using European Social Fund resources.

As mentioned above, the German government has set the goal of providing childcare opportunities for 35% of all children under the age of 3 by 2013. Currently (2006), the share of children below the age of 3 that attend childcare institutions is significantly below 10% in all West German *Länder*, except Hamburg, whereas in East Germany, participation rates are already above 35%. Moreover, it is evident that children in poverty have lower participation rates in pre-primary education (Spieß et al. 2008). The childcare reform will also include a guarantee for all children between the ages of 2 and 6 to have access to a childcare place. For those parents who prefer (or are forced) to care for their child at home, a home caring benefit is under discussion. A joint initiative of the Federal Ministries for Family Affairs and for Education and Research is aimed at ensuring appropriate training for childcare staff.

Ensuring adequate income from work

There has been a heated debate around the introduction of a general minimum wage, which so far exists only for a minority of industries (e.g. the construction sector).

Labour unions and left-wing politicians argue in favour of introducing minimum wages in order to prevent ‘a race of wages towards the bottom’ as well as to reduce the risk of poverty. On the other hand, labour economists argue that minimum wages would have negative effects on job creation (see e.g. Müller & Steiner 2008). Based on a minimum wage of EUR 7.50 (which unions have suggested), estimates of job losses varies – depending on the underlying assumptions – from more than 1 million to less than 150,000 (see Müller 2009). In consequence, alternative models of state subsidies for employees are proposed to protect workers from being paid less than acceptable wages. However, none of these policies is in place yet.

Another important trend is the growth of low-paid jobs leading to more working poor in Germany. The number of working poor households almost doubled from 1998 to 2006 (Grabka et al. 2007). As a consequence, promoting labour market integration of parents is not necessarily a sufficient protection against child poverty, in particular when workfare policies are introduced alongside labour market de-regulation that lead to an expansion of low-paid and/or precarious employment conditions. Finally, an increase of low-paid jobs is one aspect of an overall widening of wage inequalities in Germany (Giesecke/Verwiebe 2007) and, most importantly, rising inequality in incomes (Frick/Grabka 2008). This trend might explain why Germany exhibits both high levels of child-related transfers as well as considerable levels of child poverty.

2.4 Access to enabling services

Other recent improvements include the so-called school-starter package and the introduction of early warning systems against child deprivation and neglect.

In 2008, the German government introduced an “*Initiative for Qualification*”, including various measures for lifelong learning and further education, as well as a budget for extending all-day schools.

3. Conclusions

Despite the fact that Germany invests more relatively in family/child transfers than most other EU-countries, results from the SOEP indicate that at-risk-of-poverty rates of children remain around 20% above the average for the population as a whole. Thus, both *how* this money is being spent and *who* actually benefits from these transfers are in question.

Ideas for restructuring the transfers include a shift towards focusing on “families” rather than on “marriage”; a revision of child benefits to better target them on needy families; and a revision of the method used to identify the “true” needs of children (whether they are compensated in-cash or in-kind).

Currently, there are several reform proposals being discussed with the specific aim of combating child poverty more effectively. Although the importance of parents being in employment is widely recognised, the need for an independent child benefit is based on the observed trends of a growth in low-paid jobs and in “working poor”-families.

In response to these trends, most of the reform proposals stress the need to further develop existing social transfers (mainly, child benefit, the recently introduced child supplementary benefit and the child-related measures within the social assistance system) towards an independent child benefit. The overarching aim here is to make child related benefits independent from other transfers, in particular from labour market policies, and to determine the level of the benefit by means of an independent assessment of the needs of children.

More radical reform proposals combine universal child benefits with some kind of vertical redistribution through the tax system, whereas more moderate reform proposals build on the existing mix to redistribute transfers horizontally (child benefit) and vertically (child supplementary benefit).

However, above and beyond these more direct transfers, there is a need to further improve the “enabling” framework by targeting specific groups such as children living in lone parent households and those with migrant parents, both of whom appear to dominate increasingly the socio-economic structure of children at risk of poverty. Family policy in recent years has already responded to these needs by improving childcare arrangements and introducing measures targeted at improving the integration of migrants, so improving employment opportunities of those concerned. Such policies also include early intervention schemes designed to compensate for disadvantages arising from low education (“compensatory education”) and so to break the vicious circle of the intergenerational transmission of low education and a high risk of poverty.

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Methodological Appendix: Alternative databases for the analyses of child poverty in Germany: EU-SILC and German SOEP

The following section briefly describes and interprets relevant methodological and substantive differences between the two major data sets used here: the EU-SILC and the German Socio-Economic Panel Study (SOEP).

In the survey year 2007 used in these calculations, the SOEP sample consists of eight different sub-samples each of which has been drawn in a multi-step random sampling process (see Wagner et al. 2007). A major advantage of SOEP data is its explicit oversampling of foreigners and recent immigrants (Frick & Tucci, 2006), East Germans, and high income households (Frick et al. 2007).

New population-representative sub-samples have been added in 1998, 2000, and 2006, which do not only add to the number of analysable observations but also help coping with immigration after the initial sampling which took place in 1984 in West Germany and in 1990 in East Germany, respectively.

The survey sample of the German EU-SILC contribution is a mix of quota and (random) samples with the quota sample being sequentially rotated out over the first four years of the survey. It is not clear from the documentation or from the microdata itself how different these samples develop over time. On the other hand, being a life long panel study, SOEP continues to follow the entire survey sample population from one wave to the next.

With respect to the survey mode, data in the German EU-SILC sample is collected by means of drop-off questionnaires (without the presence of an interviewer), whereas SOEP employs a multi-mode approach, which is primarily interviewer-based (using both PAPI and CAPI) but also allows for self-administered interviewing.

In agreement with the Canberra group (2001) recommendations, the SOEP-based income measure used in this report is the previous year's annual equivalent post-government income including a measure of net imputed rent (IR). In line with the relevant EC regulations SOEP data contains an estimate of IR for both owner-occupiers and subsidized renters (see Frick, Goebel & Grabka 2007, Frick, Grabka, Groh-Samberg 2008), whereas the German EU-SILC data is still lacking this important non-monetary component which should have been provided together with EU-SILC data for 2007 at the latest.

An important methodological issue is the treatment of missing income data due to non-response. While both, EU-SILC and SOEP, use imputation to correct for eventual selectivity arising from such missing data, it is not clear how exactly the imputation in EU-SILC is carried out. The SOEP imputation procedures used for correcting item-non-response (INR) are described in detail in Frick & Grabka 2005, the imputation treatment of missing observations arising from non-participation of single household members in otherwise interviewed households (this phenomenon is called partial unit non-response, PUNR) is described in Frick, Grabka & Groh-Samberg (2009).

In fact, the analyses presented here are the first to use these very detailed longitudinal imputation procedures in case of PUNR – an analysis on how this treatment affects measures of income inequality is also given in Frick, Grabka & Groh-Samberg (2009).

In general, one should note that all time trends shown here are very similar to those presented in previous research (e.g. Corak et al. 2008), although the level of inequality and relative income poverty appears to be lower after full imputation of PUNR – this is also true for children in couple-headed households. EU-SILC also imputes income data in case of PUNR, however, only using a “flat correction” factor, thus assuming an identical degree of misrepresentation across income sources received in a given household as measured on the basis of the participating household members. Other than that, it is important to note the very high share of proxy-interviews in the German EU-SILC sample (around 20%, see Horneffer & Kuchler 2008)

Above and beyond such methodological differences between the two surveys, Hauser (2008) argues about the proper representation of basic socio-demographic characteristics as given by EU-SILC and SOEP for Germany when compared to the Micro-census, a 1% survey of the entire population.

The following findings relate to the survey year 2006.

- Migration background: There appear to be problems of the EU-SILC sample to properly mirror the true degree of heterogeneity of the migrant population in Germany. While the proportion of migrants as such may be correctly estimated, the structure of the migrant population in EU-SILC is heavily biased towards foreigners from northern EU-countries, while Turks in particular are very much underrepresented. Thus, it appears that EU-SILC oversamples migrant groups, which are more likely to be better integrated into the German society as well as to be economically more successful. “This result confirms the suspicion that the survey method using only postal questionnaires is not suitable to give a representative picture of poorly integrated foreigners” (Hauser 2008: 11-12).
On the other hand, SOEP has various features to counter this phenomenon: firstly, there is an explicit oversampling of immigrants from the start of the survey; secondly, additional survey samples have been drawn to compensate for eventual misrepresentations of immigrants entering the country after the initial sampling process; thirdly, in order to prevent any bias arising from language barriers among the migrant population translation aides for the various survey instruments are available.
- Age: There is indication of misrepresentation of children by age-groups in the German EU-SILC sample: “[...] small children up to the age of four are clearly under-represented in EU-SILC, while they are slightly over-represented in SOEP compared with the microcensus. People aged between 55 and 79 are clearly overrepresented in EU-SILC while the age structure in SOEP shows only slight deviations from the microcensus. As age is one of the variables used to calculate the weighting of persons in EU-SILC these deviations are particularly in need of explanation. And they can also clearly distort the poverty ratios calculated” (Hauser 2008).
- Education: “[There is] considerable under-representation of the lowest education category in EU-SILC, i.e. people who attended school only up to the age of 15 but did not obtain a certificate of graduation, while this group is over-represented in SOEP. By contrast, people with high educational qualifications (...) account for 32.8% in EU-SILC compared with only 20.5% in the microcensus. SOEP also shows a discrepancy from the microcensus, but it is clearly less. These two distortions in the EU-SILC sample may be expected to have a noticeable effect on the poverty ratios calculated and other Laeken indicators” (Hauser 2008:14).

Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

Estonia

Andres Võrk

University of Tartu, Estonia

andres.vork@ut.ee

1. The nature of child poverty and the underlying factors

1.1 The children affected and the underlying factors

Compared to the EU average, the at-risk-of-poverty rate of children measured at 60% of equivalised median income is slightly smaller in Estonia. According to Eurostat EU-SILC 2007 data, 18.1% of children were at the risk of poverty in Estonia in 2006 (the EU average is 19.1%). This is also slightly smaller than the risk of the overall Estonian population (19.4%; the EU average is 16.3). Hence, in Estonia the relative risk of poverty for children is smaller (0.93); while the EU average is 1.17 times higher.

Comparison of child and overall population poverty at different poverty lines (40, 50, 60 and 70% of equivalised median income) shows that child poverty is higher than in the overall population at 40% and 50% equivalised median income, but smaller at 60% and 70% equivalised median income. Also poverty gap at 60% equivalised median income is larger for children than overall population (25.8% vs 20.2%).

A high at-risk-of-poverty rate in Estonia both in the overall population and among children can partly be explained by the wide income distribution. Both the values of Gini index and quintile income ratio are higher in Estonia than the EU average. This is the result of a wide distribution of primary market income (both labour earnings and capital earnings). And as the redistribution via taxes and social benefits in Estonia is among the lowest in Europe, when measured, for example, as a share of taxes and benefits in GDP, it results also in a wide distribution of final disposable income among population.

In Estonia, the primary material deprivation indicator is also lower for children than for the overall population (14.3% vs 15.4%), and it is lower than the EU average (17.4%). The share of persons being both materially deprived and relative income poor is slightly lower for children than the overall population (7.2% vs 7.9%). The share is also slightly lower than the EU average (8%).

The household types who have the highest risk of poverty are single parent households and households with three or more children. At-risk-of-poverty rate was 45% for single parent households and 21% for households with two adults and three or more children in 2006, considerably higher than the national average. Two-adult households with one or two children have a risk-of-poverty of respectively 12% and 11%.

Single parent households face high risk, because there is only one breadwinner, and social benefits for single parent families are pretty low in Estonia. Only those children are eligible for single parent family benefits who do not have father's name on their birth certificate. If one of the parent died, then there is a survivor pension, but this also very low. All other single parent households (usually single mothers when father has left the household) are supposed to receive alimonies from the other parent (usually the father). In practice many fathers do not pay alimonies, pay too little, or are unemployed, or do not have legal income. There have been policy proposals that the state should intervene and pay single parents (minimum) alimonies and later withhold them from fathers via higher taxes, but this proposal has been realized only partly. Since 2008, a child younger than 18 years old can receive a support payment (*elatisabi*) for 90 days if a parent has turned into court to receive alimonies from the other parent (Ministry of Social Affairs 2009).

The problem of single mothers is important because in Estonia the share of children living with single parents is very high. According to EU-SILC 2007 data, 15% of children live in single adult households, while the EU average is 11%.

Concerning child age, the risk-of-poverty is lowest for very young children aged 0-2 years. This pattern arises because Estonia has relatively high maternity and parental benefits, which in 2006 lasted until 14 months after childbirth. They became even more generous, both in absolute amounts and in duration in the latest years. The risk of poverty increases afterwards because family benefits are considerably lower for children aged 2 or older and mothers may find difficulties in returning to labour market, as there has been a shortage of suitable publicly subsidized childcare facilities and there is also lack of private childcare facilities or they are too expensive. A high poverty rate for children aged 12-17 (23% in EU-SILC 2007 data), which is also higher than in the age group 3-5 or 6-11, is difficult to explain. In EU-SILC 2006 data this age group had actually lower poverty rate than children in age groups 3-5 or 6-11. As there were not any major changes in social policy in 2005-2006

that might have affected the age group 12-17 then either these households must have been very close to the poverty line and dropped below it in 2006 or there is a variation caused by small samples.

Labour earnings are the most important source of income in Estonia for households with children, as social benefits (e.g. unemployment benefits, universal family benefits, social assistance benefits and pensions) are low in general. Households whose adult members do not work (work intensity index is 0) or work very little (index is smaller than 0.5) have respectively 4.7 and 2.7 times higher risk of poverty, which is higher than the EU average (3.5 and 2.2 respectively).

The country comparison of marginal effects from probit-model estimates on EU-SILC 2006 data even suggests that in Estonia low work intensity has the greatest impact on child poverty in Estonia. This partly reflects low social benefit in Estonia, but also the policy that has been chosen by the governments in Estonia that high employment must be the primary path in child poverty reduction.

The effects of other socio-demographic characteristics of households are consistent with what we would expect from their typical relationship with labour earnings. Children face higher risk of poverty when parents' education is lower, their household lives in a thinly populated area, or one of the parents has a chronic illness. Also non-Estonian households (mainly Russian-speaking households) have slightly higher risk of poverty, because of their lower labour earnings.

1.2 Trends

Since the mid 1990s Estonia experienced rapid demand-driven economic growth. In 2000-2007 average GDP growth rate was 8.6%, with strong employment growth and decline in unemployment. Unemployment fell from around 14% in 2000 to 4.8% in 2007. Wages, pensions and some other social benefits increased. Although the price level also rose, the real purchasing power of families still increased considerably.

This all led to rapid reduction in absolute poverty for all social groups, including families with children.

Although at-risk-of-poverty rate in the overall population changed only little, the structure of households at risk of poverty changed considerably during 2000-2007. At-risk-of-poverty rate remained more or less unchanged around 18-19% (see Table 1). According to Estonian national statistics, which uses age band 0-15 for a child, children were at greater risk of poverty than the overall population in 2000-2005, but since 2005 the poverty among children has declined, and in 2006 and 2007 it was already lower than in the overall population.

Table 1. At-risk-of-poverty rate (%)

	2000	2001	2002	2003	2004	2005	2006	2007
Total population	18.3	18.2	17.9	18.3	18.3	18.3	19.4	19.5
Children 0-15	21.3	18.9	17.8	19.8	21.5	19.8	17.3	17.1
65 and older	16.0	18.1	15.8	16.7	20.3	25.1	33.1	39.0

Source: Statistics Estonia, on-line database.

Notes: The percentage indicates the share of persons with equivalised disposable income lower than the at-risk-of-poverty threshold. The year refers to the income year. Change in data source in 2004 should be taken into account when comparing data for 2000-2003 with the following years.

This can be explained by higher employment rates of prime-aged workers and higher wage growth compared to pensions, for example. But also some of the benefits for families increased (especially parental benefits). Table 1 shows that while the risk of poverty decreased among children it almost doubled during 2000-2007 for the elderly.

1.3 Absolute poverty

The level of absolute poverty has considerably declined during the last ten years, both in the overall population and also among children.

Indicators used by the Estonian Ministry of Social Affairs when measuring social inclusion and absolute poverty of children are usually the following:

- a) the share of children (up to age 15) below absolute poverty line, which reflects the minimum level of necessary expenditures (cost of minimum food basket, dwelling, clothing, education and transport expenses),
- b) the number of children in households receiving subsistence benefits, and the share of households with children among the recipients of subsistence benefits. Subsistence benefits are means-tested social assistance benefits that also include a component to cover minimum housing costs.

Table 2 shows that when in 1998 about 40% of children lived below the absolute poverty line, then by 2007 (latest available data) it has dropped to 9.4%, but being still higher than the population average (6.5%). Also the number of children living in households who have received means-tested social assistance benefits has dropped drastically. When in 1999 there was more than one child (1.12) in benefit applications per person aged 0-17, then by 2008 it has dropped to 0.14⁵. The share of households with children among benefit recipients has also dropped.

Note that because the subsistence level (which is fixed by the government each year and forms a basis for calculations of subsistence benefits) is below the absolute poverty level (which depends on prices of goods), there are many households which are still in absolute poverty despite receiving subsistence benefits.

⁵ Note that subsistence benefits are applied every months and indeed large share of households receives them every month.

Table 2. Trends in absolute poverty

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Share of population below absolute poverty line											
Total population	32.8	30.7	28.9	28.3	25.0	19.6	17.0				
Children aged 0-15	40.4	44.1	39.1	36.6	33.7	26.7	25.3	13.2	8.3	6.5	
Subsistence benefit recipients											
Number of children in applications for subsistence benefits divided by population 0-17	1.08	1.12	0.99	0.99	0.78	0.80	0.65	0.48	0.30	0.17	0.14
Share of households with children among the recipients of subsistence benefits	49.3	54.5	45.9	38.3	34.0	38.7	43.4	39.1	36.4	32.0	29.4
Of those single parent households	22.9	27.1	27.4	25.7	26.2	26.4	27.0	54.3	59.5	63.4	63.4
Of those households with 3 or more children	18.2	18.6	16.3	14.4	13.8	17	19	18	18	18.5	17.3
Of those households with disabled child	1.5	0.9	1.2	1.5	1.2	2.7	3.1	3.7	4.6	5.4	5.8

Note: Change in methodology in 2004 in absolute poverty.

Sources: Ministry of Social Affairs "Sotsiaaivaidkonna arengud 2000-2006", Sotsiaalministeeriumi toimetised nr 2/2008 ;

Ministry of Social Affairs, online data on subsistence benefits, own calculations, <http://www.sm.ee/meie/statistika/sotsiaaivaidkond/sotsiaaialhoolekanne/toimetulekutoetus.html>;

E.-M. Tiit (2005) "Elatusmiinimumi ja vaesuspiiride hindamise meetoodika ning sotsiaalsete indikaatorite leidmisel kasutatavate tarbimiskaalude kaasajastamine", report to Ministry of Social Affairs, September 2005, [http://213.184.49.171/est/HtmlPages/ELMtarbimiskaaludEveebi\\$file/ELM%20tarbimiskaaludEveebi.doc](http://213.184.49.171/est/HtmlPages/ELMtarbimiskaaludEveebi$file/ELM%20tarbimiskaaludEveebi.doc).

As the number of recipients of subsistence benefits dropped then also the structure of the remaining households with children receiving subsistence benefits has changed. We see a drastic increase in the share of single parent households. While in 1998 about 23% of households with children were single parent households, then by 2008 it increased to 63%. It supports the claim we made in the previous section that children living in single parent households are currently most at the risk of poverty in Estonia.

We also see that the share of children with disabilities has increased among recipients of subsistence benefits, reflecting the fact that one of the parents may need to reduce the labour supply to take care of disabled children. The Ministry of Social Affairs is planning to conduct a survey at the end of this year to investigate this issue.

To conclude, we see that recent rapid economic development has indeed improved the situation of households with children, reducing their risk of poverty both in absolute and relative terms. With a few exceptions, such as the effect of parental benefits on poverty among 0-2 year olds, this has not been a result of a smart policy making, but more a good luck arising from global economic development.

Now, when the Estonian economy is in deep decline, we would expect that the poverty will increase again, both in absolute and relative terms, and new policy choices that reflect changed economic and social conditions are necessary.

2. Impact and effectiveness of policies in place

2.1 Overall approach

Estonian social policy aiming at families with children is influenced by three levels: 1) national (state) level, 2) municipality level, 3) international level (EU directives, guidelines, strategies, and open method of co-ordination, ILO recommendations, etc). At the state level, family policy strategy and all necessary legislation are accepted, and major cash benefits are provided. Local municipalities are responsible for provision of child care (pre-school education), basic and secondary education, means-tested subsistence benefits, social housing, and other services for children. Local municipalities also pay various additional ad hoc benefits to families (e.g. birth grants, first school-day benefits, etc). Estonian social policy is also influenced by EU policy since 2003, when Estonia started to follow the EU strategies and guidelines and participate in the open method of coordination.

Reducing social exclusion and especially child poverty has been one of the main aims of the Estonian governments in the field of social and labour policy (see, for example, the following documents by the Ministry of Social Affairs: Joint Inclusion Memorandum in 2003, National Action Plan 2004-2006, National Report on Strategies for Social Protection and Social Inclusion 2006-2008).

Policies started to incorporate explicit numerical targets only recently. The effectiveness of the policies targeted on child poverty is usually measured with the proportion of children below absolute or relative poverty line, and the proportion of households with children among recipients of subsistence benefits. Sometimes, there are also some additional, usually input or process oriented indicators, such as number of child protection officials, number of children without parental care, participation of children with special development needs in kindergartens, young people who are not learning and have only acquired basic or lower education, etc.

For example, in the 2006 National Action Plan, the main targets set for 2008 were the following:

- 1) share of children living below relative poverty line: 17.8% (2% lower than in 2005)
- 2) difference between the absolute poverty rate of children (0-15 years) and that of total population: 7.9% (in 2004 it was 8.3% according to the old methodology).

In 2008, the main targets to be achieved by 2010 were the following:

- 1) share of children living below absolute poverty line below 6.2% (9.4% in 2007)

- 2) share of children living below relative poverty line below 16.8% (18% in 2007)
- 3) share of households with children among the households receiving subsistence benefits below 30.1% (32% in 2007).

The first principle for social inclusion by the Estonian governments has always been that employment is the best protection against poverty and exclusion. Partly it is self-evident, because Estonian economic policy is to keep tax levels low and hence there is not much to redistribute in the form of benefits. And as the economy boomed and employment rates increased in 2000-2007, then indeed both absolute and relative poverty declined among children and it was easy to consider the targets of earlier years as fulfilled.

On the other hand, targets for 2010 are now clearly unrealistic as economic conditions have drastically changed, unemployment is increasing, and the government does not have any policy instruments to achieve the goals of reduction in child poverty.

2.2 Income support

The overall level of social protection expenditure is small in Estonia compared to other EU countries. According to ESSPROS statistics, it was only 12.4% of GDP in 2006.

The focus of the Estonian family policy is on cash benefits. According to ESSPROS definitions, about 95% of the expenditure for families with children were in the form of cash benefits in 2003-2007 (EU27 average was 71% in 2005). When we also include expenditure on pre-school childcare (kindergartens), which are considered in Estonia as part of the education system and hence the expenditure is classified as education expenditure, then about two-thirds of the total expenditure are in the form of cash benefits. Still Estonia remains one of the most cash-oriented countries in supporting children.

- 4) These are the following major types of family benefits:
- 5) universal child allowance and childcare allowance, which depend on the number of children and their age, paid from the central government budget
- 6) maternity benefits, paid from the health insurance fund during pregnancy and shortly after child birth
- 7) parental benefits, introduced in 2004, related to previous income of the parent, paid from the central government budget after maternity benefits have exhausted
- 8) additional non-refundable tax allowances depending on the number of children
- 9) means-tested subsistence benefits paid by local municipalities
- 10) other minor benefits (e.g. refund of study loans for parents with children, additional vacation days, special benefits for disabled children, conscript's child benefit, etc).

In 1998-2003, universal family benefits were the major instrument in supporting families. This was justified as nearly one third of children lived below the absolute poverty line. So the benefits were relatively well targeted to the poor, equal and easy to administer.

As employment rates increased and poverty rates decreased, the focus of the family support shifted towards the moment of birth to influence very low fertility. It was stipulated that the birth of a child should not in itself carry a risk of poverty and neither a decline in the quality of life, including for households who had high labour earnings. In 2004, it culminated with the introduction of a very generous measure called parental benefit ("vanemahüvitis"), which guaranteed the previous wage of the parent (100% replacement rate) up to 11 months after child birth. There was a minimum benefit for those who did not work before or had very low earnings, and a high upper ceiling (three times the national average wage of two years ago). The benefit was extended to 14 months in 2006 and to 18 months in 2008. (If a parent received maternity benefit then the period for parental benefit was slightly shorter.) In addition, also the one-time birth allowance was also increased in 2006.

High parental benefits explain why poverty rates were smallest among children aged 0-2 years in Estonia.

Many studies suggest that the benefit system focussed too much on the birth moment (Ministry of Social Affairs 2009; Võrk, Karu 2009), especially since the introduction of parental benefits in 2004. Võrk and Karu (2009) show that when in 2000 all annual benefits accruing to a child less than 1 year old were about 6 times higher than benefits for a child aged 7, then by 2008 this discrepancy was already 16 times. Concentrating too much on supporting births and spending very much on one single measure (parental benefit) has raised concerns that it limits resources available for other, perhaps more essential, services and benefits for children. For example, as we will also note below, planned expenditure for projects supposed to increase access to childcare have been reduced.

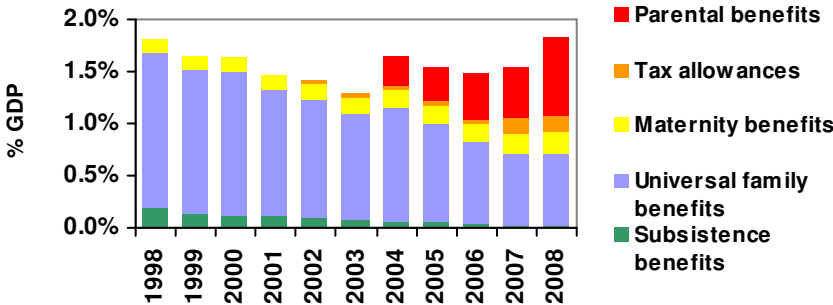
On the other hand, empirical research suggests (Võrk, Karu 2009a) that parental benefit has indeed influenced fertility behaviour, especially among high-earning women, who gained most from the new benefit.

As parental benefit was very expensive, there were not enough resources for other benefits and the total real value of universal family benefits decreased. Parental benefits together with contribution-based maternity benefits and additional non-refundable tax allowances have led to the situation where more benefits are accruing actually to richer households (see Figures 1 and 2), because maternity benefits, parental benefits and tax allowances that can be applied depend positively on previous earnings. This may explain perhaps the surprising result in the Estonian country analysis of EU-SILC data where targeting index of family related social transfers is highest for income deciles 8-10 (1.18 in EU-SILC 2006 data analysis), which is considerably higher than the EU average (0.83) for the same income deciles.

Meanwhile during the observed period, universal family benefits were still increased for families with three or more children, implicitly targeting universal family benefit system to families more likely at risk of poverty. This is again reflected in the results of the Estonian country-fiche analysis where targeting index of family related social transfers is highest for couples with 3 or more children. Single parent benefits, on the other hand, have remained unchanged, despite the fact that these households have very high risk of poverty.

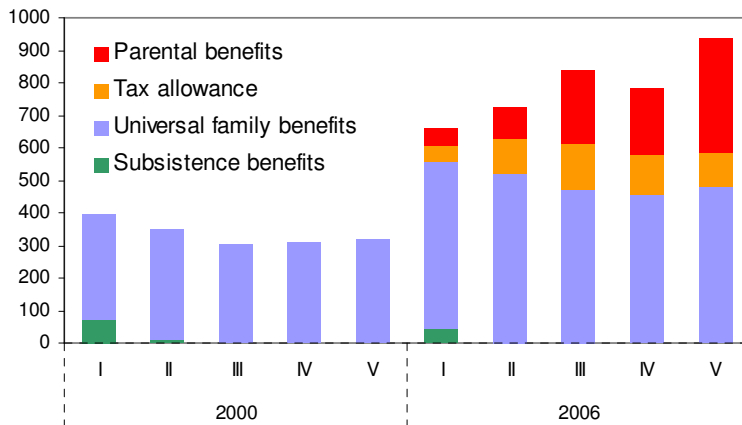
Both the EU-SILC 2006 data and national studies (Võrk, Paulus 2007) suggest that family benefits reduce child poverty by about one third (when measured with a number of children below absolute or relative poverty line before and after transfers). The effect is largest for large families (3+ children). The impact is smaller for single parents. According to Võrk and Paulus (2007), the most cost-effective single measure in reducing poverty (excluding special subsistence benefits which are specially targeted to reduce severe poverty) is universal family benefits targeted to families with three or more children. Also additional tax allowances starting from the third child are cost-effective instruments in targeting poverty compared to universal benefits or tax allowances starting from the first or second child.

Figure 1. Major cash benefits to families with children



Source: Võrk, Karu (2009)

**Figure 2. Benefits per child in income quintiles
(EEK per month)**



Source: Võrk, Karu (2009)

In Estonia, there are no special in-work benefits. General tax allowance and various tax deductions are universal, irrespective of the income source. There is also an additional tax allowance that depends on the number of children and it has changed over the last years several times. Initially, it was starting from the third child (in 2001), then extended to the second child in 2006, to the first child in 2008. The allowance for the first child was abolished again in 2009. Because these allowances can only be used after submitting a final income declaration (next year) and they are also non-refundable (meaning that if the household does not have enough taxable income they cannot make use of them), their usefulness for the lowest wage earners is limited. Võrk, Paulus, Poltimäe (2008) show that the largest relative gain (percentage increase in their income) from these additional tax allowances are for people in the 4th-6th deciles of income.

During recent years unemployment compensation has become more generous with the introduction of the unemployment insurance system in 2002 and first benefits were paid out in 2003. Until 2003 only very low level of flat rate unemployment assistance benefits (with the net replacement rate less than 10% of the national average wage in 2002) and means-tested subsistence benefits (with the net replacement rate about 20% of the national average wage in 2002) were available for the unemployed. In the unemployment insurance system, benefits depend on previous earnings. The gross replacement rate is 50% of the previous wage during the first 100 days of the unemployment spell and 40% in the following period. Maximum duration is 360 days depending on the length of the contribution period. In recent years, about half of the unemployed are eligible for insurance benefits. The main reasons for the low coverage of the unemployment insurance benefits include failure to comply with the qualification criteria (e.g., long-term unemployment) and voluntary unemployment (persons who terminate work contract voluntarily or in agreement with employer are excluded from unemployment insurance benefits).

As long as tax revenues increased, employment rates were high and poverty rates low, it was possible for the government to focus on policy instruments that were targeted to the birth moment and the first year of a child. It was expected that these instruments influence fertility behaviour. Poverty alleviation of children in later ages was of secondary importance. But as tax revenues started to decrease in 2008, cuts were necessary also in the family support system. As the parental benefit scheme has been one of the main promises of a major coalition party (the Reform Party), this has remained unchanged, but some of the other benefits and services have been already abolished, such as a universal school benefit (paid once a year), tax allowance for the first child, additional 10 days paid holidays for fathers, cuts in childcare investment support programme by the central government etc.

Currently there are constant debates on the proper income support system in Estonia, especially the parental benefit scheme, because of its high costs to the budget and high inequality. Several propositions by the opposition parties suggest that the upper ceiling of the benefits should be considerably reduced and the resources should be used in other areas in supporting children, such as childcare services, subsidized school meals, etc.

Concerning subsistence benefit scheme, which is especially targeted to the very bottom of the income distribution and is meant to fight severe poverty, there are continuous discussions on its proper size. The subsistence level fixed by the government each year has been very low (lower than the absolute poverty level even when relevant housing costs are included) and therefore many households may remain in absolute poverty despite the benefits. On the other hand, the government worries that an increase in the subsistence level may reduce incentives to labour force participation.

The analysis by Võrk, Paulus (2006) highlighted that while the Estonian subsistence benefit system guarantees a minimum income for households, it simultaneously creates disincentives to work for low-wage earners in certain family types, because of the marginal effective tax rate of 100%. (There is a flat section in the budget constraint irrespective of the amount of labour earnings.) For example, for a household with two adults and two children there is no meaning to work with minimum wage when the other adult is inactive as the final income of the household does not increase. Micro simulation analysis by Võrk and Paulus (2006) still suggested that there are about 1% of employed people and 2% of inactive or unemployed people in 2004 that faced really 100% or higher marginal tax rate. So the problem is not very large.

2.3 Access to the labour market and income from employment

Employment is seen as the best protection against poverty and exclusion in Estonia.

Employment rates were steadily increasing since 2000 in all socio-economic groups, reaching 69.4% in the age group 15-64 in 2007. Also female employment rate was high and it reached the EU objective of 60% in 2005 (by 2008 it was 66.3% in age group 15-64, but it is declining again in 2009 due to the economic crisis). On the other hand, there are large gender differences in the labour market. The gender wage gap is one of the widest in Europe (about 25%), there is both vertical and horizontal gender segregation, and the negative impact of parenthood on mothers' employment is strong.

Labour market policy and flexibility⁶

Estonia spends very little on active labour market policies. Compared to the average level of EU27 countries, Estonia spends less than one tenth on active labour market policies (about 0.15% of GDP in Estonia vs 1.68% in the EU27 in 2007). Only registered unemployed and jobseekers are entitled to various labour market services. This means that participation in ALMP is rather restricted in Estonia. For example, persons who are employed but at risk of involuntary job loss and persons in retirement age cannot participate in most of the ALMP in Estonia, with the exception of some ESF-financed projects.

There are no special measures for parents with young children as a part of active labour market policy, but there have been several ad hoc projects financed by the ESF targeted to young mothers returning to the labour market. For example, there was an EQUAL project "Choices and Balance" aimed to decrease the barriers to re-entering the professional life by promoting the flexible forms of work and offering training and consulting both to employers and potential employees. The project has been considered as a success (Lobja 2007). Another EQUAL project "Children Taken Care of, Mothers at Work" aimed at increasing the employment of mothers through the development of a flexible childcare system in a small town, in particular the development of a family day-care model. The Ministry of Social Affairs also understands the need for labour market services and career counselling for parents returning to the labour market after parental leave (Ministry of Social Affairs 2009).

In Estonia, the use of non-standard forms of employment is relatively uncommon. As recorded in Labour Force Survey (LFS), in 2007, about 97% of those salaried workers working under employment contracts had open-ended contracts and only 3% fixed-term contracts. When taking into account other forms of contracts with temporary nature (i.e. contract for services, authorisation agreements, temporary agency work, oral contracts and agreements), the general picture does not

⁶ This section draws heavily on the following report: Leetmaa, R., Võrk, A., Nurmela, K. (2009), Flexicurity pathways - building strategic approach of social partners organizations through mutual learning, PRAXIS Center for Policy Studies.

change much - just 5% of salaried workers are employed under contracts with temporary nature. Unlike in many other European countries, part-time employment is also rather rarely used. According to Eurostat data in 2007, just 8.2% in total employment were working part-time as compared to a EU27 average of 18.2%.

Mostly the possibilities of flexible working time are dependant on the agreement between the employer and the employee and are not regulated in detail. Some minimum requirements related to categories of workers allowed to be employed at non-standard hours are described in legislation. As recorded by Statistics Estonia in 2004, flexible working hours are relatively uncommon. Most (83%) of employees have a fixed time of starting and ending their working day. Men have more flexibility than women. Despite this, a labour force survey in 2005 by Statistics Estonia showed that about 38% of workers said that generally they were able to vary their start or end of working day or take days off due to family reasons. About one third of workers said that this is possible sometimes and only less than quarter of employees said that this is not possible at all (Anspal, Karu 2007). So empirical evidences suggest that it is possible to combine flexibly family and work life.

Childcare⁷

In recent years, several measures promoting fertility have been implemented, mainly financial support for the birth of a child and compensating the loss of income for parents while on parental leave. Problems associated with the time following parental leave have only very recently begun to be tackled when the problem of scarcity of childcare was realised. Local governments, who are responsible for public provided childcare for all parents, have failed to react to the increased demand which has resulted in quite a severe lack of childcare. In 2005, 46% of local governments had a waiting list for their childcare institutions (Ainsaar, Soo 2006). The scarcity of childcare is a more serious problem in the urban areas, because the demand for childcare is higher there. Also employment rates of women are higher in urban areas. (In 2008 in the age group 25-49, the female employment rate was 79.4% in urban areas and 77.2% in rural areas.)

According to Statistics Estonia, the share of children in public childcare for age group 3-6 at the end of 2006 was 86% and for 1-6 years old children 71%. The problem of childcare is larger for 2-3 year old children. The formal arrangements that are mainly used are public kindergartens and crèches as the other childcare facilities, such as day-care centres and other centre-based services, are often not available. Moreover, professional childminders are quite rarely used (Leetmaa 2008).

By now the lack of childcare and its potential negative impact on labour market participation for females has been clearly recognised (Ministry of Social Affairs 2009). The improvement of availability and quality of childcare in Estonia has taken two directions in the last few years. Firstly, actions have been taken to improve the availability of public childcare, mainly by increasing state financing to municipalities. Secondly, some steps to encourage alternative private childcare have been taken, as the private sector has been very insignificant in providing childcare so far. For example, the childminders' professional standard was developed in 2005, and starting from 2007 local governments are paying benefits to compensate the cost of qualified childminders to parents whose children do not attend public kindergartens or crèches. These changes contribute to both availability and quality of childminders. In addition, the availability of out-of-school care has been improved. While in general, the long-day school groups are provided and financed by local governments, in 2007 the Ministry of Education and Research launched a pilot project of long day schools.

In 2008, the central government launched a major programme to support local municipalities in building and renovating child-care centres. Unfortunately the current economic crises has stopped the initial plans and severely limited the resources available. The government also planned to establish a national hobby school fund in order to increase participation in out-of-school care and improve equal access to participation in sport, recreation, social and cultural life, but also this plan and resources were suspended due to fiscal difficulties.

⁷ This section draws heavily on the following report: Leetmaa, R (2008), The provision of childcare services in Estonia, External report commissioned by and presented to the European Commission Directorate-General for Employment, Social Affairs and Equal Opportunities, Expert Group on Gender and Employment, DG Employment.

Ensuring adequate income from work

Agreements on the minimum wage for each year are concluded at national level bargaining. In addition, in certain sectors, collective bargaining has produced sector or occupation specific minimum wages.

In recent years, the minimum wage has been about 1/3 of the average gross wage of a full-time worker. For a single person, minimum wage secures disposable income above the absolute poverty line. But for a two-adult family with two children if both parents receive only a minimum wage, the family would most likely stay just around the absolute poverty line if there are no additional family benefits. (For example, the minimum gross wage in 2007 was 3,600 EEK or 3,178 EEK after taxes and social contributions. If both adults earn minimum wage then the disposable income was about 6,350 EEK. In 2007, the absolute poverty line was 2,341 EEK for a single person and 6,321 EEK for a two-adult family with two children.)

Another area of discussion in Estonia is a gender wage gap as women earn about 25% less than men in Estonia – the largest gap in Europe. This is a problem especially for single parent households, where the main breadwinner is usually a mother. There are no explicit policy measures, except the usual requirement of non-discrimination, but the Ministry of Social Affairs continuously investigates the issue, why this situation arises in Estonia and several research projects are ongoing.

2.4 Access to enabling services

Housing and environment

A survey by Statistics Estonia showed that in 2007, about 61% of households with children considered condition of their dwelling as good or very good, about 34% satisfactory and about 5% bad. Families with three or more children have more problems with their dwelling. Also housing expenditure are a major concern according to household surveys (52% of households mentioned it in the 2008 Eurobarometer survey). Another problem in Estonia until recently was the lack of a rental market for housing, which meant that households needed to buy a house when they wanted to find a more suitable dwelling.

The government supports housing in Estonia in many ways. First, for poor people there are means-tested subsistence benefits paid by local municipalities which also cover current expenditures on housing (rent, heating, water, electricity, etc). The exact limits of refundable housing costs are regulated by municipalities.

There is mortgage interest tax relief as housing loan interest payments can be deducted from persons' taxable income up to a certain upper threshold. Also young families with no initial capital can have an additional guarantee for their mortgage loan by the state-owned fund called the Credit and Export Guarantee Fund KredEx. There is an on-going discussion whether these two measures should be abolished, because they are blamed for fuelling the housing credit boom and housing price bubble (OECD 2009). Also empirical research shows that richer households gain more from interest rate deductions both in absolute terms and relative to their income, simply because richer households are more likely to have higher mortgages (Võrk, Paulus, Poltimäe 2008). But National Housing Development Plan for 2008 – 2013 approved by the government in January 2008 states that these measures will remain intact. (Ministry of Economic Affairs and Communication 2008).

Since 1 July 2008 the KredEX fund also supports large families (with 4 or more children) by covering part of the renovation costs of their existing house or purchasing a new house. Although the amount is limited (100,000 EEK for families with 4-7 children and 200,000 EEK for families with 8+ children in 2009), the measure has proven to be popular, only one third of the applications could be satisfied last year. The administration of the measure is complicated and expensive, but it is accepted that it is well targeted to those in need, partly because the representatives of large family associations participate in the selection process. Unfortunately, the need to cut government expenditure has also reduced this programme for 2009.

Finally, there is social housing programme, which is financed by local municipalities (in 2006 about 80% is paid by municipalities, 19% by households and 1% by the state). Social housing is still in its infancy. In 2006, about 4,000 people used social housing and the number is increasing steadily

over the years (in 2000 it was about 1,700 people) (Ministry of Economic Affairs and Communications 2008). It includes also special accommodation for disabled persons. According to National Housing Development Plan for 2008-2013, more emphasis will be put on municipal rental housing targeted specially to families who cannot afford to buy one (Ministry of Economic Affairs and Communications 2008). No formal evaluation studies have been made on the impact of social housing on families with children.

Municipal rental housing may become even more crucial because of the recent credit boom and following difficulties for families to pay back loans and risk of losing their homes. Some policy-makers have proposed that the government should intervene into the housing market and into the household-bank relationships either in the form of additional guarantee or just acquire their houses.

Education and training

Basic and secondary education is free in Estonia, funded mainly by local governments. Also vocational education is mostly funded by the state and local governments. Studies on the level of higher education are financed from the state budget to the extent of state-commissioned education (SCE).

Concerning education and poverty, the main policy concern has been drop-outs at various levels of education, but especially in upper basic education, and resulting low educational attainment and low future prospects in the labour market. Another issue is variation in the quality of basic and general secondary education and resulting inequality of access to tertiary education. Concerning vocational training and university education major issue has been how to match current training with future labour market demand.

According to Statistics Estonia in 2008, about 14% of young people aged 18-24 had only basic education or less and were not in education. It is higher among men (21%) than women (8%) and it is higher for non-nationals (19.8%). Statistics of Ministry of Education and Research show that in 2006/2007 academic year about 1.6% of pupils in 7th-9th grades (the third level of basic education, pupils aged about 12-16) dropped out from school. The National Development Plan for the General Education System 2007–2013 aims that by 2010 drop-out rates decline to 1% and by 2013 to 0.8%.

Previous studies (e.g. Strenze 2007) on the basic education system have suggested that students' social background is more important than school characteristics in explaining progress in school. This partly explains why in discussions on social inclusion and education more emphasis has been on the role of home, and less on the school system.

The National Development Plan for the General Education System 2007-2013 foresees several policy measures to reduce drop-out rates and increase equal access to general education.

They may be classified as:

- 1) measures related to various career counselling, information exchange between school, parents and social workers,
- 2) measures related to reducing costs of basic education (free teaching materials, free school lunch, availability of student homes)
- 3) measures to support development of children with special needs (availability of counselling, development of guidance materials, availability of special service centres, etc).

A major study is being carried out on the effectiveness of the basic education system and it will be completed in 2009.

One major policy issue has been the introduction of Estonian language in Russian-medium schools. In 2007, the government approved a regulation pursuant to which at least 60% of studies at the upper secondary school level in all municipal and state schools in Estonia must be conducted in Estonian by 2011. The aim is to give young non-Estonians an opportunity to improve and broaden their language skills and enhance their ability to compete both on the next educational level and the labour market. Until now there are no studies yet evaluating its possible effects on students' educational outcome, but surveys show that at least teachers have accepted the reform (TNS Emor 2006). But it is expected that this policy will improve the socio-economic situation of non-Estonians as language barrier is a very significant factor behind lower wages and higher unemployment of non-Estonians.

Health care

There is not much discussion about inequality of health care utilisation among children in Estonia. About 95% of population is covered by health insurance and all children up to the age of 19 are covered, and if they continue studying the coverage is extended.

Usually children do not have to pay copayments for doctor visits and also medicines for children have very low copayments. Dental care is also free for children until age 19.

About 95-99% of infants are vaccinated against common diseases.

It all means that there are no formal financial obstacles for children to access medical care in Estonia, only possible rationing through waiting time, or small inequalities due to regional differences in health care provision.

Concerning the areas of *Child protection* and *Participation in Sport, Recreation, Social and Cultural Life*, there is the National Child Protection Concept (*Lastekaitse kontseptsioon*), accepted in 2005, which sets the main goals, priorities and policy measures to improve children well-being in general. The strategy includes also a chapter on education, recreation and cultural life.

As there are not any major ongoing discussions or any significant published studies on these issues, the area is not treated in detail here.

3. Conclusions

Absolute poverty among children has declined rapidly during last ten years. Also relative poverty has declined in recent years. This is mainly due to increased employment, but also social expenditure on families contributed to lower poverty. The risk of poverty is still very high for single parent families and also large families with three or more children. Also households with a disabled child face an increased risk of poverty. By now, several policy measures have been specially targeted to large families, for example, increase in family benefits for large families, support to renovate dwelling, additional tax allowances. At the same time, single parents have received little attention and it is proposed by the Ministry of Social Affairs that they should receive more attention both through benefit system and supporting services (e.g. flexible childcare arrangements).

The boom period of the Estonian economy ended dramatically in 2008, when the real estate bubble burst, bank credit from Scandinavian banks was suspended and domestic consumption dropped, and also main export markets suffered from global downturn. The situation will be similar to years at the beginning of 2000, when unemployment rates were high and large share of children lived in absolute poverty. Although during recent years the social security system has become more generous, mainly with the introduction of the unemployment insurance system, its effect is still small, as only half of the unemployed are eligible for insurance benefits and their duration is short (up to 9 months currently). Meanwhile many households have heavy financial burdens, both mortgage backed housing loans and short-term consumer credits, both missing at the beginning of 2000. This puts considerable constraints on households' budgets and may even lead to loss of homes. As a reaction the government has already transferred to local municipalities additional funds to pay out subsistence benefits, also policy options are discussed on the possible intervention into the housing market, but no real decision has been made.

Many studies suggest that the Estonian family support system is too much concentrated on cash benefits and on childbirth. While introducing the parental benefit in 2004, most expensive measure, other services to families, especially childcare, were not taken in to account and it was only few years later that childcare issues became topical again. Thus, while providing parents with the possibility to care for their children at home, the alternative, that of returning to work and to using formal childcare remained limited. It is argued that much more focus should be on services (Pall, Karu 2009; Ministry of Social Affairs 2009; Vörk, Karu 2009), especially child-care services, out-of-school care (e.g. hobby schools, long day schools), and services targeted to special population (e.g. rehabilitation services for disabled children).

In general, the lack of childcare has been recognised by now and several actions to improve the availability, quality, and also affordability of the childcare have been taken in recent years. However, current fiscal problems have suspended many of the government initiatives and the very expensive parental benefit scheme has limited resources for other areas of family policy.

There has been a change in recent years in reforming, either deliberately or not, the family benefit system from a universal benefit system towards a more earnings-related benefit. Maternity benefits, parental benefits and effective tax allowances, which take by now more than half of the cash benefits to families, depend all positively on previous earnings. This policy to support fertility of high earning women could have been acceptable in good years, when employment was high, poverty rates

low and tax revenues increased each year, but the policy might turn to be infeasible in the current situation where the resources are limited, cuts are needed and more focus should be put on these social groups that are on the bottom of the income distribution and are at the risk of social exclusion.

There are ongoing debates on this issue also in the parliament; therefore some changes may appear in the near future. It has been proposed by opposition parties that expensive parental benefits should have lower ceiling, effectively reducing benefits for high-earning parents, and freed resources could then be used for other purposes. There is also a draft act by an opposition party that some additional family benefits should be introduced for children whose both parents are registered unemployed. And there have been also radical propositions by a coalition party that the whole family benefit system should be restructured, abolishing all universal family benefits and relying only on means-tested benefits. Concerning taxation, opposition parties propose introduction of progressive income tax scales. So the whole range of issues affecting families with children is on the table and whether anything will change now depends on developments in tax revenues and the social situation of families, but also on the results of local elections, held in October 2009.

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Annex: description of major family benefits as of 1 January 2009

(based largely on Lüpsik, S., Paulus, A., Võrk, A. (2008) *Estonia 2005 Tax-Benefit System. EUROMOD Country Report, University of Essex*. http://www.iser.essex.ac.uk/files/msu/emod/i-cue/deliverables/I-CUE_D3.1.pdf)

State family benefits

The types and extent of state family benefits and the conditions under which they are granted are regulated by the *State Family Benefits Act (Riiklike peretoetuste seadus)*.

Family benefits are paid to permanent residents of Estonia and foreigners living in Estonia, who have a fixed-term residence permit or who are staying in Estonia on grounds set forth in the *Aliens Act (Välismaalaste seadus)*. Depending on the type of benefit, family benefits are paid either as a lump-sum, once a month, once a quarter or once a year (see table below) and they are financed from the state budget. Dependent children for family benefits are defined as aged under 16, or under 19 and enrolled in basic school, upper secondary school or vocational school in daytime study or another form of study for medical reasons. If a person is entitled to several types of family benefits, these benefits are usually determined and disbursed simultaneously. Child benefits are calculated on the basis of the Child Allowance Rate (CAR, *lapsetoetuse määr*). Childcare allowances and allowances for families with seven or more children are calculated on the basis of Childcare Allowance Rate (CCR, *lapsehooldustasu määr*). Both rates are established with the state budget for every budget year and the new rate cannot be lower than the existing rate. The family benefits are coefficients of those rates. Since 1997, the child allowance rate has been 150, and since 2000, the childcare allowance rate 1,200 EEK (Ministry of Social Affairs "Social sector in figures 2006").

All benefits paid under the State Family Benefits Act are non-taxable with income tax.

Maternity benefit (*sünnitushüvitis*) is one of the benefits for temporary incapacity for work, regulated by the *Health Insurance Act (Ravikindlustuse seadus)*. It is paid to insured person in the event of pregnancy and maternity leave. A pregnant woman has the right to receive maternity benefit for 140 calendar days or, in the case of a multiple birth or delivery with complications, for 154 calendar days if the pregnancy and maternity leave commences at least 30 calendar days before the estimated date of delivery as determined by a doctor. The size of the benefit is her average gross income taxed with social tax (i.e. earnings) per calendar day in the previous calendar year. It is taxable with income tax.

Parental benefit (*vanemahüvitis*): From 1 January 2004, the *Parental Benefit Act (Vanemahüvitise seadus)* entered into force, with the aim to compensate for income not received by stay-at-home parents in the first year of the child's life. The right to the parental benefit is granted to the parent, adoptive or foster parent, guardian or caregiver, who is a permanent resident in Estonia or a foreigner living in Estonia on terms of a temporary residence permit. In 2004 and 2005, parental benefit was paid until the end of a 365-day period from the beginning of the pregnancy and maternity leave, i.e. it includes the period of receiving maternity benefit. The duration was increased to 455 days in 2006 and to 575 days in 2008.

The size of the benefit is calculated according to the applicant's average monthly gross income taxed with social tax (i.e. earnings) in the previous calendar year (generally 100%). Persons who did not receive any earnings (e.g. not working students) are paid the parental benefit at the parental benefit rate (2,200 EEK in 2005 and 3,600 EEK in 2008). Persons whose average monthly income in the previous year was less than or equal to the minimum wages are paid the parental benefit in the amount of the minimum monthly wages (2,690 EEK in 2005 and 4,350 EEK in 2008). The maximum amount of the monthly benefit is three times the average monthly income taxed with

social tax in the calendar year before (17,472 EEK in 2005 and 25,209 in 2008). The parental benefit is subject to income tax (Ministry of Social Affairs "Social sector in figures 2006").

Table 3. Overview of main benefits to families with children, in 2005-2008

Benefit (legal term in English)	Frequency	Unit	Size in 2005	Changes in 2006-2009	Number of recipients in 2008
State family benefits					
Childbirth allowance	Single benefit	One of the parents	First child: 25 x CAR Subsequent child: 20 x CAR	2006 - : 5000 EEK (319.6 EUR) for all	16,070
Adoption benefit	Single benefit	One of the parents	20 x CAR	2006 - : 5000 EEK (319.6 EUR)	20
Child allowance	Per month	Per child	2 x CAR	Since 1 July 2007: 1 st and 2 nd child 2 x CAR, 3 rd and more 6 x CAR	265,418
Childcare allowance	Per month	Per child	Under 3 years old: 1/2 x CCR 3-8 years old: 1/4 x CCR		46,989
Allowance for families with 3 or more children/ with triplets	Per quarter	Per child	3 children: 1 x CAR 4 or 5 children: 2 x CAR 6 or more: 2.5 x CAR	1/1/2006-31/6/2007 3 children: 2 x CAR 4 or more: 3 x CAR Abolished since 1 July 2007	Abolished in 2007
Allowance for families with triplets	Per quarter	Per family	6 x CAR	9 x CAR	Abolished in 2007
Allowance for one parent of a family with 7 and more children	Per month	One of the parents	2 x CCR	2006: 2.1 x CCR 2007: 2.2 x CCR	1,369
Single parent child allowance	Per month	Per child	2 x CAR		25,188
Child's school allowance	At the beginning of the school year per child	Per child	3 x CAR	Abolished in 2009	165,452
Allowance for a child in guardianship or in foster care	Per month	Per child	6 x CAR		2,038
Conscript's child allowance	Per month	Per child	5 x CAR		27
Start in independent life allowance	Single benefit	Per child	40 x CAR		167
Parental benefit	Per month	One of the parents	Previous gross wage. Ceiling 3x average gross wage. Minimum benefit = minimum wage of previous year Average benefit at the of 2008 is 8958 EEK (573 EUR) Taxable		19,408
Maternity benefit	Single benefit (for 140 or 154 days)	Mother	Previous gross wage. Taxable Average benefit ca 44312 EEK (2832 EUR) in 2008		13,229

Notes: CAR – Child allowance rate, 150 EEK (or 9.6 EUR) in 2005-09.

CCR – Childcare allowance rate, 1,200 EEK (or 76.7 EUR) in 2005-09.

Absolute poverty level for a single adult person was 2341 EEK (149.6 EUR) per month in 2007 (the latest available).

CAR = 6.4% of absolute poverty level in 2007.

CCR= 51% of absolute poverty level in 2007.

Table 4. Overview of parental benefit, in 2005-2008

	2004	2005	2006	2007	2008
Maximum days	365	365	455	455	575
... for parent who did not receive maternity benefits (months)	11	11	14	14	18
Parental benefit rate (minimum rate) (EEK per month)	2,200	2,200	2,480	2,690	3,600
Parental benefit at the rate of minimum wage (EEK per month)	2,480	2,690	3,000	3,600	4,350
Maximum parental benefit (EEK per month)	15,741	17,472	19,191	21,624	25,209
Average benefit (at the of the year, EEK per month)	4,304*	4,990	5,952	7,089	8,958

Source: Ministry of Social Affairs, *own calculations

Additional childcare leave and breaks: Under the Holidays Act and the Working and Rest Time Act, the following are financed from the state budget: the additional childcare leave of a parent raising a disabled child, the additional childcare leave of one parent (3 or 6 days, depending on the number of children) and the additional childcare leave for fathers (10 workdays).

The father is entitled to additional childcare leave either during the mother's pregnancy and maternal leave or within 2 months from the child's birth. The daily rate for the additional childcare leave was 66 EEK in 2005, and it is taxable with income tax. In 2008 the daily rate of additional childcare leave for fathers was made dependent on fathers' previous earnings, but in 2009 the compensation was abolished altogether.

A working person raising a child under 1.5 years of age is entitled to additional breaks for feeding the child – minimum of 30 minutes after every three hours. The additional breaks may be added up and used to shorten the workday. The employees are paid average wages for the additional breaks from the state budget.

Other family benefits

Families are also paid a lump sum benefit for holding funerals (*matuseetoetus*) on the territory of Estonia under the *State Funeral Benefit Act (Riikliku matuseetoetuse seadus)*.

Non-taxable.

Compensation of study loans (*õppelaenu kustutamine*): Pursuant to the *Study Allowances and Study Loans Act (Õppetootuste ja õppelaenu seadus)*, the state started partially writing off the parents' study loans since 2004, writing off 50% of the study loan balance of a parent of one child, 75% of the study loan balance of a parent of twins and 100% of the study loan balance of a parent of triplets.

50% of the loan balance is written off upon the birth of every new child (Ministry of Social Affairs "Social sector in figures 2006").

The compensation scheme will be abolished since 1 July 2009 as a result of fiscal constraints of the central government.

Local benefits

Local municipalities provide local benefits to people who are living and are registered in the Population Registry for the respective region. The variation of local benefits given in municipalities is large. Benefits differ on type, amounts, application conditions etc. A study conducted by Ainsaar *et al* (2004) showed that the majority of the municipalities give family and child support related local benefits.

The most common is the benefit for birth support.

Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

Ireland

Hugh Frazer

National University of Ireland

hughfrazer@eircom.net

1. The nature of child poverty and the underlying factors

1.1 The children affected and their characteristics

1.1.1 Overall situation – financial and material deprivation

Risk of poverty

The at-risk-of-poverty rate for children Ireland in 2007 was 19.3%⁸. This was 0.2% higher than the EU25 (excluding Malta) average of 19.1%. However the rate was high when compared with the best performing EU countries such as Denmark, Finland, Cyprus, Germany, Netherlands, Slovenia and Sweden with a rate of between 10 and 14%. Irish children generally follow the EU pattern of older children having a high risk of poverty than younger children. In Ireland, the lowest risk is for 0-2 year olds (14.9%) followed by 3-5 year olds (15.2%), then by 6-11 year olds (20.8%) and finally 12-17 year olds (21.4%). However, the variation between the lowest and highest rates is higher in Ireland (6.5%) than in the EU as a whole (4.3%).

Intensity and depth of poverty

When one looks at lower poverty thresholds, Ireland's position improves relative to other Member States. For instance, at the 50% of median income threshold Ireland's rate was 11% compared to the EU average of 11.4% and at the 40% threshold, Ireland's performance (4.1%) bettered the EU average (6.2%). This tends to suggest that, by overall EU standards, Ireland has an extensive child poverty problem but not necessarily a very severe one. This is borne out when looking at the 2007 figures for the intensity and depth of poverty. The at-risk-of-poverty gap in Ireland was 18.8% which is significantly lower than the EU average of 21.4%, though again Ireland lags slightly behind the best performing countries such as Finland, France and Cyprus (between 12 and 16%). In this regard Ireland provides a contrast to the overall EU pattern as in most cases in countries where the poverty rate is above the EU average the depth of poverty also tends to be above average.

Material deprivation

The picture is reinforced when one examines the level of material deprivation experienced by Irish children in 2007. Using the primary indicator of deprivation, which is the proportion of children lacking at least three of nine deprivation items⁹, Ireland, at 13.9% was significantly better than the EU average of 17.4%. However, Ireland lagged well behind the best performing Member States such as Luxembourg, Sweden, Netherlands, Finland and Denmark, all of whom were below 10%. In terms of the severity of deprivation, which is measured by showing the mean number of deprivation items among the deprived, Ireland was at the EU average of 3.7 but again lagged behind the best performing countries such as Luxembourg (3.2) and Estonia, Netherlands and Finland (3.4).

When one looks at the share of children being both materially deprived and experiencing relative income poverty (i.e. at-risk-of-poverty) Ireland at 7.81%, was, in 2007, slightly below the EU

⁸ All figures on child poverty for 2007 referred to in this case study are, unless otherwise stated in the text, taken from the analysis of EU-SILC data.

⁹ This list of items comprises the inability of the household to afford a meal with meat every second day, the inability to keep home adequately warm, the inability to pay for arrears, the inability to face unexpected expenses and the inability to afford one week annual holiday away from home. In addition, the list of deprivation items contains enforced lack of certain consumer durables (washing machine, colour TV, telephone, car).

average of 8.00% but significantly higher than the best performing countries such as Denmark, Sweden, Netherlands, Luxembourg, Finland, Slovenia, Austria, Germany and France (2.5-6%).

This picture is reinforced by the Irish government's own preferred measurement of "consistent poverty", that is the percentage of children living in households with a household income below the national 60% median, equivalised using the national equivalence scale, and experiencing basic deprivation. This showed that, in 2006, 10.3% of children under 18 experienced consistent poverty. The consistent poverty rate of children under 18 living in households comprising a single adult with children was 33.9% (Office of the Minister for Children and Youth Affairs 2008).

Duration and persistence

An important dimension of child poverty in Ireland is its duration and persistence. A recent study (Layte et al 2006) found that half of Irish children observed during an 8 year time period spent some time in income poverty. Of these a quarter (23%) spent a relatively short amount of time in poverty (one or two years). However, a higher proportion (27%) spent three or more years in income poverty. Within this latter category, 17 % spent five plus years in income poverty (approximately 182,000 children).

Analysis of the duration of poverty periods suggests that a majority (60 %) of poverty periods are of a single year, while a quarter (23 %) are of three or more years' duration. Spells in poverty have an average duration of approximately two years for children (1.7 years). Comparative analysis at an EU level showed that for most of the old 15 member states of the EU the levels of persistent income poverty for children were lower in Ireland than in southern member states and the UK, but higher than in other northern member states.

The study by Layte et al (2006) also showed that persistence of child poverty is affected by various household characteristics. The age of the child and the presence of other children have an impact on the duration of child poverty. Household expenses are likely to rise with the arrival of a child. In addition, children influence the risk of poverty which the household faces through their impact on the labour force status of the parents, particularly the mother. Having a youngest child aged under 12 has a greater impact on a household's experience of poverty than when he or she is aged 13-17, with no difference between a child aged under 5 versus 5-12. While teenagers entail higher direct costs than younger children, this is generally outweighed by their lower indirect costs, as parental work is much less affected. Having three or more children in the household has a particularly marked increase on the persistence of child poverty.

Children at greater risk than adults

In Ireland children have a slightly higher risk of poverty than adults. In 2007, the at-risk-of-poverty rate for children was 1.8 percentage points higher than for the overall population whereas for the EU as a whole the average gap was 2.8 percentage points. Similarly, in terms of material deprivation, Irish children had a rate 3.6 percentage points higher than adults compared to 2.1 percentage points for the EU population as a whole.

The consistently worse position of children compared to adults is borne out in *A Social Portrait of Children in Ireland* (Dunne et al 2007) which shows that over the period 1994-2001 children were slightly more likely to be persistently poor than adults (21% of children versus 19% of adults) and to experience recurrent poverty, with the figures being about 10% and 8%.

The report also showed that over the same period children were a lot more likely than adults to be exposed to sustained consistent poverty. While 3.6% of adults had been in consistent poverty for four or more years between 1994 and 2001, this rises to 8.4% for children. Children were also slightly more likely than adults to have been consistently poor for one to three years: 16% versus 12%. As a result, while no adult has spent eight consecutive years in consistent poverty, a very small percentage of children (1%) have. The authors conclude that "children are more vulnerable to being disadvantaged than households without children".

Higher risk for rural children

Ireland has a higher proportion of children (38%) living in thinly populated areas compared to children in the EU as a whole (25%), a similar proportion in intermediate areas (30% compared to 29%) but a much lower proportion in densely populated areas (31% compared to 46%). This is relevant as the at-risk-of-poverty rate for children living in thinly populated areas (20%) and intermediate areas (23%) is significantly higher than the rate for children in a densely populated area (16%).

1.1.2 Overall picture – non financial and material

As Mary Daly (2007) has pointed out, it is difficult to locate material on how poverty is associated with health or education, housing or sport or leisure related deprivation for children. While the EU-SILC analyses report some of these (especially with respect to health) linkages for adults, they do not report them for children. She highlights that while it is known that poverty is related to educational and health problems or disadvantages, there are no recent studies in the public domain outlining these relationships in detail, although naturally statistics are available on health and educational outcomes for children (Daly 2007). However, there is evidence of important inequalities for Irish children in areas that significantly affect their well-being such as health, education and housing and environment.

Educational disadvantage

Overall education outcomes for Irish children are fairly positive. In 2006, Ireland ranked 5th in reading literacy among the 29 countries participating in the OECD Programme for International Student Assessment (PISA). On mathematical literacy Ireland ranked 16th out of 30 countries and on scientific literacy 14th. However, there are very significant differences for the outcomes of children from the highest and lowest social classes (OMCYA, 2008). The PISA study shows that a quarter of Irish students tested (at about age 15) scored in the top three levels on a scale for numeracy. This compares with an average of one-third for all countries in the OECD. At the other end of the scale, 40% of Irish students were in the bottom three levels, compared with an average of one-third of all OECD-country students (OECD 2006). In 2006, the mean score of children from the highest social class category was much higher (551.2) than the mean score of children in the lowest social class category (490.2) (OMCYA, 2008).

The fact that there are a significant minority of Irish children doing poorly in education is borne out by other evidence. For instance the Combat Poverty Agency has estimated that up to 5,000 young people leave school early each year and that one in ten leave primary school with serious literacy problems. The EU-LFS indicator on early school leaving shows that 11.5% of 18-24 year olds in 2007 had at most lower secondary education and were not in further education or training (an improvement from 12.3% in 2005 and better than the EU15 average of 16.9%). As B. Cullen points out (Cullen, 2000) and is reiterated in the *State of the Nation's Children* (OMCYA, 2007), the consequences of early school-leaving in Ireland include an increased likelihood of long-term unemployment, low-skilled and poorly paid employment, and an inability to access life changes, leading to social exclusion. A study for the Ombudsman for Children (Kilkelly, 2007) pointed to a two-tier education system at second level, leading to an absence of equal educational opportunity and that those children from poorer socio-economic groups who cannot afford to pay for their education at second level, or part of it, are significantly less likely to go on to university. A study by Barnardos (2006) concluded that a child's ability to benefit from all the educational opportunities on offer is obviously affected by household income and that for some parents, the combined cost of school uniforms, books, sports gear and school trips can be excessive, particularly at the onset of the school year. These costs can result in families getting into debt or having to sacrifice essential items like healthy food. The UN Committee on the Rights of the Child (CRC, 2006) also expressed concern about this issue in 2006.

Barnardos in 2006 highlighted research by the National Education Welfare Board (NEWB) highlighting the higher levels of absenteeism from school from students from disadvantaged areas (1 in 5 students from disadvantaged areas miss more than 20 days in primary and secondary school in a given year) and point out that absenteeism is one of the strongest factors associated with early school leaving and that it also places great stress on the parents of children who are absent from school.

Barnardos also highlight research from the Economic and Social Research Institute (ESRI) showing that the numbers who are leaving school without qualifications has remained unchanged since the 1990's and that geographic areas with schools in disadvantaged areas more likely to experience students leaving school early. Barnardos is particularly concerned about the children who fail to make the transition between primary and secondary school. It is estimated that up to 1,000 pupils fail to make this transition every year (Barnardos 2006).

Health inequalities

The overall health of Irish children is relatively good by EU standards. Infant mortality rate in Ireland fell from 7.9 per 1,000 live births in 1987 to 3.1 in 2007. At EU25 level, the corresponding decrease was from 10.7 in 1987 to 4.2 in 2007 (CSO 2008a). However, Ireland still lags behind the best performing EU Member States. The *State of the Nation's Children* report (OMCYA 2008) showed

that in 2006 Ireland's rate was 3.7 compared to Luxembourg which reported the lowest infant mortality rate (2.5 per 1,000 live births), followed by Sweden and Finland (each 2.8 per 1,000 live births). Calculating the percentage of babies born at low birth rate (less than 2,500 grams) in 2004, based on live births only for the purpose of international comparisons, the percentage of Irish babies born weighing less than 2,500 grams was 5.7%. This compares with the EU average of 7.3%.

Ireland also rates quite well in the Health Behavior in School-aged Children (HBSC) study (Currie, 2008) which shows that fewer Irish children at 11, 13 and 15 (except for 15 year old boys) rate their health as fair or poor when compared to the average for the 41 countries and regions across Europe and North America participating in the HBSC study¹⁰. The gap is particularly large for 11 year olds but decreases with age. Indeed more Irish 15 year olds rate their health as fair or poor than in 13 participating EU Member States. The study also shows that in Ireland, like most other countries, higher levels of poor/fair self-related health are significantly associated with lower family affluence.

A further indication of the impact of poverty on the health of some Irish children is that children from poorer socio-economic groups have poorer levels of nutrition. Research now clearly shows that a significant number of children are going to school hungry, and are often too hungry to do their schoolwork. According to one study on early school leaving, almost 20 per cent of children attending primary schools in one of the most disadvantaged areas of Ireland are either often, or very often, 'too hungry' to do their schoolwork (Holland, 2006). The correlation between poor health and low income is reinforced by the first findings from Ireland's new longitudinal study on children (ESRI, 2009) which shows that chronic illness or disability was more heavily concentrated among children from lower socioeconomic backgrounds. For example, 14% of those from semi-skilled/unskilled backgrounds, compared with 10% of those from the other two class categories, had a chronic illness or disability.

Housing exclusion and poor environment

The Office for the Minister for Children and Youth Affairs (OMCYA 2008) report that 22,335 households with children were identified as being in need of social housing in the 2005 assessment of housing needs. 61.4% of family households in need of social housing were households with one child, while 5.7% of households included 4 or more children. Only preliminary figures are available for 2008 but these show an overall increase in housing need from 42,946 to 56,249 so this is likely to include an increase for households with children (DoEH&LG 2008).

Given that a well-designed environment is important for ensuring the physical and emotional well-being of children it is striking that the 2006 HBSC Survey (WHO 2006) showed that only 45.7% of Irish children reported that there are good places in their area to spend their free time compared with the HBSC average of 64.3%. Among the 7 countries and regions that used this HBSC item, the lowest percentage for this indicator was found among Irish children (45.7%) and the highest among children from Germany (75.7%).

1.1.3 Main groupings

Three things in particular stand out about the overall composition of child poverty in Ireland: the very high proportion of children who are at-risk-of-poverty who live in lone parent households, the large proportion of children living in large households (i.e. 2 adults with 3+ dependent children) with a high risk of poverty and the strong correlation of children at-risk-of-poverty with jobless households.

Lone parent and large families

In Ireland in 2007, 20% of children lived in single parent households (cf. EU 11%) and they accounted for 42% of all poor children (cf. EU 22%). The at-risk-of-poverty rate for these children was 41% (cf. EU 37%). 31% of children lived in large households (i.e. 2 adults with 3+ dependent children) (cf. EU 21%) and they made up 32% of all poor children (cf. EU 27%). The at-risk-of-poverty rate for these children was 20% (cf. EU 24%). On the other hand children living in households with 2 adults and 2 dependent children only accounted for 13% of poor children (cf. EU 29%) and had an at-risk-of-poverty rate of 10% (cf. EU 14%).

The adverse position of lone parent households is reinforced by analysis of 2007 EU SILC data by the Central Statistics Office (CSO, 2008). This showed that despite a fall in the deprivation

¹⁰ The 41 countries covered in the study are listed in Table 1 on page 7 of the HBSC report.

levels of members of lone parent households in 2007, they remained the single most deprived group and reported the highest rates for all eleven of the deprivation indicators.

Thus:

- ✓ over one third of persons living in lone parent households (35.6%) reported experiencing at least two of the deprivation indicators;
- ✓ the most commonly experienced forms of deprivation for lone parents were an inability to afford to have family or friends for a drink or meal once a month (35.3%), an inability to afford to replace worn out furniture (35.2%) and an inability to afford heating at some stage in the previous twelve months (21.4%);
- ✓ lower proportions of the members of lone parent households reported other measures of deprivation but still at much higher rates than other types of households. These included the inability to afford a meal with meat, chicken or fish every second day (8.4%), the inability to afford a warm waterproof coat
- ✓ (9.1%), the inability to afford new (not second-hand) clothes (11.8%) and the inability to afford two pairs of strong shoes (12.2%).

Unemployment and low work intensity

The work intensity of households is a key factor in explaining Ireland's high level of children at-risk-of-poverty. In 2007, 44% of children at-risk-of-poverty in Ireland lived in households where no one was working. This compared to an EU average of 25%. The risk of poverty for this group of children was 71%. There was also a high risk (38%) for children living in households where the work intensity was 0.01-0.49 and they made up 28% of all children at-risk-of-poverty. On the other hand, children living in households where the work intensity is 0.51-0.80 constitute only 11% of poor children and children in households where work intensity is 1, although making up 22% of all children, make up only 5% of all children at-risk-of-poverty.

The high risk of poverty for children in jobless households is particularly clear for single parents. In 2006 the poverty risk for children of jobless single parents was 66.4% and they constituted 31.8% of all poor children (cf. EU 18.2%). The rate was also very high (62.6%) when both parents in a couple were jobless and they constituted 21.2% of all poor children. While the risk was much lower (17.5%) where one partner worked full time and one was jobless they made up 22.8% of all children who were poor. By contrast it is striking that when both parents worked full time the poverty rate for children fell to 2.9% and when a lone parent worked full time it fell to 7.9%. However when both partners worked part-time or a lone parent worked part-time the poverty risk for children was quite high (38.4% and 28.5% respectively).

It is also striking that research on the persistence of poverty (Layte et al, 2006) shows that parental employment status influences the risk of poverty persistence among children. Children in households where parents are unemployed or inactive, have a higher risk of spending time in poverty than children in households where two parents are employed. Analysis over an 8 year period shows that where neither parent was employed nearly all children spent some time in income poverty. Where both parents were employed, children spent no time in poverty. The average number of persons employed, for children who avoided income poverty entirely, was close to two and for those experiencing persistent income poverty the average was only 0.5.

1.1.4 Underlying factors

The previous section already served to highlight that family structure, levels of work intensity and health, education and housing/environmental inequalities are key factors affecting the poverty and well-being of Irish children. There are in addition a number of areas that also merit consideration.

Parental educational attainment

Research shows that the educational attainment of parents is important in determining which children experience longer periods in income poverty. Living in a household where parents have lower levels of education increased the risk of children experiencing poverty. Parents with no second-level qualification in particular faced much greater risks of sustained low income than others. Children in lone parent households spend more time in poverty than children in two adult households. Almost half of children in lone parent households, where the parent was not working, were in persistent poverty

(three or more years in poverty). In addition, the probability of a lone parent, with a child under 5, leaving poverty was 66% lower than a lone parent with a child aged 12 to 17 (Layte et al 2006).

High level of dependence on welfare benefits

The analysis of 2007 EU-SILC data shows a relatively large number of families with children depend on welfare benefits for a substantial part of their income. In 2006, in poor households with children, family and child-related payments accounted for 41% of income compared to 16% in the EU-25. Social transfers as a whole accounted for 65% compared to 37% for the EU-25. It is thus not surprising to find that the poverty reduction impact of social transfers in Ireland is somewhat higher than in the EU-25 – 30% for family and child related payments and 50% for social transfers compared to the EU-25 average of 21% and 42% respectively. However, transfers in Ireland seem quite well targeted at the groups at high risk with higher proportions of family/child related payments (56%) and social transfers (49%) going to single parents and couples with 3+ children when compared to the EU-25 average (38% and 40% respectively).

The study of persistent poverty (Layte et al 2006) also reports that “there is a strong relationship between *welfare dependence* and the duration of child poverty. Two thirds of children in households where less than one-quarter of the household income was retrieved through social welfare payments avoided income poverty. At the other extreme, only 3% of children in households where social welfare accounted for more than three-quarters of a household income, avoided income poverty altogether and 62% were persistently poor (approximately 19% of children were in this category)”. This of course reflects the fact that social transfers tend to be insufficient to bring income of families above the poverty threshold. In addition, the study suggests that the likelihood of persistent income poverty is higher for children where parents report less than good health.

Age of child and numbers of children

The persistence of child poverty is affected by the age of the child and the presence of other children. Household expenses are likely to rise with the arrival of a child. In addition, children influence the risk of poverty which the household faces through their impact on the labour force status of the parents, particularly the mother. Having a youngest child aged under 12 has a greater impact on a household's experience of poverty than when he or she is aged 13-17, with no difference between a child aged under 5 versus 5-12. While teenagers entail higher direct costs than younger children, this is generally outweighed by their lower indirect costs, as parental work is much less affected. Having three or more children in the household has a particularly marked increase on the persistence of child poverty (Layte et al 2006).

Intergenerational inheritance

The issue of the inter-generational transfer of disadvantages and the extent to which such disadvantages tend to be passed on from parents to their children, implying a lack of equality of opportunity and of social mobility, was examined by Layte et al in their study on persistent poverty (Layte et al 2006). Their study looks at the childhood background of adults in poverty and the social factors which impact on adult outcomes. The chances of experiencing sustained poverty in adulthood are related to *childhood socio-economic environment*, especially childhood poverty. The pathways through which such effects operate not only include the financial constraints on parental capacity to invest in their children's "human capital", but also socio-economic status, parenting styles, home environment and role modeling. The effects of social origins work through two rather different mechanisms, the first involving family conditions and parental stimulation in early childhood in particular, the other reflecting the decisions people make at crucial transition points in the education system and labour market. The study shows that *childhood educational opportunities* impact on the likelihood of adult poverty. An individual whose parents had no educational qualifications beyond primary level had 23 times the risk of having no formal qualification compared to someone whose parents had third level education.

1.2 Trends

Irish data from the Central Statistics Office (CSO) and based on EU SILC 2007 shows that children had the highest risk of poverty of any age group, with one in five being at risk of poverty (19.9%) in 2007. As there are approximately 1,050,000 children in Ireland aged less than 18 years this amounts to approximately 200,000 children. However, the 2007 figure is a decrease of 2.4% from 22.3% in 2006. There was a particularly significant decline in the at-risk-of-poverty rate for persons living in lone parent households, where the rate fell from 45.6% in 2006 to 37.6% in 2007. However, members of lone parent households continued to be the most at risk when compared with people living in other household types.

The CSO’s 2007 figures also show that the consistent poverty rate¹¹ for children fell from 10.3% in 2006 to 7.4% in 2007. However children continued to have a higher consistent poverty rates than working age adults (4.7%) or older people (2.0%). Children account for nearly 40% of all those in consistent poverty. Just over 69% of all the persons in consistent poverty lived in households with children compared with 63.8% of the persons at risk of poverty. This indicates that having children in a household has a clear impact on the likelihood of experiencing deprivation. Members of lone parent households showed a sharp fall in their consistent poverty rate from 33.9% in 2006 to 20.1% in 2007. While too much significance should not be read into changes over consecutive years, some improvement was to be expected given significant increases in child income support in recent years. However, the relatively large difference in some cases raises a question about the margin of error surrounding the data.

Looking over a slightly longer period, Ireland’s *National Report for Ireland on Strategies for Social Protection and Social Inclusion 2008-2010* provides a table showing changes in at-risk-of-poverty and consistent poverty for children (0-14) between 2003 and 2006.

	2003	2004	2005	2006
At risk of poverty	21.0%	21.2%	21.2%	20.2%
Consistent Poverty	11.7%	9.3%	10.2%	9.8%

Source: EU-SILC

The downward trend in consistent poverty goes back further. A report for the Office for Social Inclusion (Allison Dunne et al 2007) reports that “levels of consistent poverty have fallen sharply for both children and for adults over the past ten years, reflecting declining levels of deprivation and real improvements in living standards. However, the fall for children has been sharper. In the 1994 Living in Ireland Survey, 25% of children versus 14% of adults were in consistent poverty (based on the list of eight deprivation items). This meant that the rate for children was nearly 80% higher than that for adults. But in 2004, this gap narrowed to 64%. Although the gap between children and adults has narrowed in terms of consistent poverty over the 10 years, children are still more likely than adults to be in households experiencing basic deprivation”.

1.3 Absolute poverty

The overall figures on child poverty and well-being based on major national and international studies tend not to highlight sufficiently some groups of children who experience particularly extreme levels of poverty. In this regard three groups stand out: Traveller children, children from a migrant background, children living in or leaving care, children with a disability and homeless children.

¹¹ The consistent poverty rate used in Ireland refers to the proportion of people who are at risk of poverty and experience two or more of a list of eleven deprivation indicators.

Traveller children

According to Census 2006, there were 10,929 Traveller (or Roma) children in Ireland. This accounts for 1.1% of the total child population and 48.7% of the total Traveller population. Children from the Travelling community have significantly poorer outcomes than children in the general population. The 2002 Census report on the Travelling community, for example, showed considerable demographic differences compared with the settled community, including a higher birth rate, lower life expectancy and larger family size. Travellers of all ages have higher mortality rates than people in the general population. For instance at a 2005 conference on Traveller health organized by the Department of Health and Children Mary Murphy highlighted that the perinatal (1st week) mortality for Traveller children was 28 per 1000 births compared to 10 for the general population and that infant mortality rate was 17 compared to 7 (Mary Murphy 2005). Mary Daly points out that a recent Survey of Traveller Education Provision found that Traveller children living on unofficial halting sites had lower levels of school attendance rates (on average 68%) than those living on official halting sites (on average 78%) or in houses (on average 82%); the same survey found a learning disability rate of 15%, which is considered to be some 7% higher than the overall school-going population (Mary Daly 2007).

Immigrant children

In 2006, there were 569 children separated from their parents seeking asylum. Approximately one in 3 (34.6%) separated children seeking asylum were less than 10 years of age. According to Census 2006, there were 62,800 non-Irish national children in Ireland. 28.3% of these children were living in Dublin.

The number of non-Irish national children has increased by 57.6%, from 39,838 in 2002 to 62,800 in 2006 (OMCYA 2008). In spite of the increase in numbers there is still a lack of detailed information on poverty rates of immigrant children. However, as Kilkelly (2007) points out children seeking asylum are more likely to experience poverty and social exclusion than many other groups in Irish society due to: higher levels of dependence on social welfare, direct provision of accommodation and food, lower levels of welfare payments and higher levels of housing deprivation. Language difficulties, racism and institutional barriers, in addition to having fewer rights and entitlements also mean that asylum seekers experience greater degrees of social exclusion than many other vulnerable groups. She highlights research by the Children's Research Centre in Trinity College Dublin showing that lone asylum-seeking and refugee mothers face particular problems of poverty and social isolation compounded by the lack of childcare, an inability to work and language barriers (Kilkelly, 2007).

The EU-SILC 2007 data suggest that the risk of poverty rate of children both of whose parents were born in another EU country (6% of all children) is particularly high (34%) and they make up 10% of all poor children. However, when both parents were born outside the EU (3% of all children) the risk for children is relatively low at 12% and they make up only 2% of all poor children.

Children in or leaving care

The number of children in the care of the Health Service Executive (HSE) in 2006 was 5,247. This equates to an overall rate of 50.6 children per 10,000. 87.6% of all children in the care of the HSE lived in foster family homes (OMCYA 2008). Kilkelly (Kilkelly 2007) has pointed out young people with care experience are significantly more disadvantaged in terms of education, income and employment. Statistics show that 'neglect' is the primary reason why children are taken into care, and poverty is the underlying cause; about half enter care due to neglect, family difficulties such as housing or finance, or their parents' inability to cope (Department of Health 2004). One study found that 68% of young people had experienced homelessness two years after leaving HSE care. The UN Committee on the Rights of the Child has recommended that the Government strengthen its efforts to ensure and provide for follow-up and after-care to young persons leaving care centres (CRC 2006).

Children with a disability

A study for the National Disability Authority and the Equality Authority analysing the relationship between chronic illness or disability and poverty, controlling for other characteristics, suggests that the predicted risk of poverty is between 11 and 22 percentage points higher where the individual has a severely hampering disability, and between 5 and 12 percentage points higher where he or she is hampered to some extent. In terms of consistent poverty, a severely hampering illness or disability raised the incidence of poverty by between 6 and 13 percentage points, while an illness or disability that hampers to some extent increases the consistent poverty rate by 2 to 4 percentage points. The study also highlights the strong correlation between educational disadvantage and disability (B Gannon).

Homeless children

In 2006, the total number of children who appeared to the Health Service Executive (HSE) to be homeless was 449. This equates to an overall rate of youth homelessness of 43.3 children per 100,000.

55% (247) of children who appeared to the HSE to be homeless were aged 16-17; 27.8% (125) were aged 14-15; 8% (36) were aged 12-13; and the remaining 9.1% were less than 12 years-old. A recent report for the Office of Social Inclusion (B. Nolan 2009) highlights a 2005 study on homelessness in Dublin for the Homeless Agency which showed that of the 2,015 persons counted as homeless in Dublin 463 or 23% were children (aged under 18). Of homeless children more than 40% are aged five or under, while a much smaller proportion, 27%, are aged 12 or over. Nobody aged 16 or less, and only one person aged 17, was reported as on their own and homeless – that is, a single person household – in 2005.

2. Impact and effectiveness of policies in place

2.1 Overall policy approach

Main features of policy

The issue of child poverty and child well-being has become a key concern in Irish policy making in recent years. The increased focus on children in general and child poverty in particular is reflected in a number of key policy documents such as the *Programme for Government 2007-2012, Towards 2016*, Ireland's social partnership agreement; the *National Development Plan 2007-2013*, the *National Action Plan for Social Inclusion 2007-2016*, the *National Strategy Report on Social Protection and Social Inclusion 2008-2010* and the *National Children's Strategy 2000-2010*.

The key feature of Ireland's policy approach, as outlined in *Towards 2016*, is to adopt a lifecycle framework to address key social challenges which individuals face at each stage of life, including childhood. The approach is replicated and elaborated the *National Action Plan for Social Inclusion 2007-2016* (NAPSI). The *National Children's Strategy 2000-2010* acknowledges that child poverty is among the main areas of children's concerns and needs which must be addressed and states that "Children in poverty, homeless youth and children in crisis will continue to be a priority".

Another key feature is to emphasise improved mainstreaming and coordination of policies. In recent years, the creation of the Office for the Minister of Children and Youth Affairs (OMCYA) and the Office for Social Inclusion (OSI) has brought a more mainstreamed and coordinated approach to the development, implementation and monitoring of policies for children and, to a certain extent, to policies to address child poverty and social exclusion and the appointment of an Ombudsman for children has increased the focus on children's rights. Coordination and mainstreaming is further ensured through a number of institutional arrangements such as the Cabinet Committee on Social Inclusion, Drugs and Rural Development – the OMCYA submits an annual progress report to the Cabinet Committee on Social Inclusion about measures taken by Government departments to implement relevant actions of the National Children's Strategy - and the Senior Officials Group on Social Inclusion (SOGSI) which maintains a broad overview of social inclusion issues and brings emerging issues to the attention of the Cabinet and ensures coordination at senior official level (Assistant Secretary) on issues of social inclusion. In addition there are the NDP Monitoring Committee and the Partnership Steering Group which have an ongoing oversight role in relation to implementation of the lifecycle framework.

In spite of the quite elaborate structures in place a recent study (Devlin et al, 2009) has concluded that from the perspective of child poverty there remain some significant problems to be addressed. In particular there is insufficient coordination between the OMCYA and OSI. The OMCYA, while bringing a very important new focus on the well-being of children in general, gives insufficient attention to the specific problem of child poverty and social exclusion. Links between the children's rights agenda and efforts to address poverty and social exclusion are insufficiently developed. The OSI has not been effective in driving forward the child poverty agenda across the policy system and "does not seem to be very successful in dynamically bringing together departments and agencies either in preparing a comprehensive strategy where their efforts are reinforcing or in solving particular

problems in a collective manner.” Although both the Ombudsman for Children and the OMCYA have done much to promote the idea of consulting children and ensuring their participation in the development of policies that affect them there is little evidence that the voice of children have been taken into account in developing or implementing the NAPSI.

A third key feature of the Irish approach is to strengthen the evidence-based approach to policy making. The work of the research division of the OMCYA is particularly important in this regard both in terms of improving research and data on issues affecting children and developing indicators on children’s well-being. The new National Longitudinal Study of Children in Ireland, *Growing up in Ireland*, which has been instituted, will in the future be a very important source of data to assist the development of policies to tackle child poverty and promote the well-being of children. However, Devlin et al conclude that there are still important gaps. There is a need for more qualitative data about why some children and families cope better than others with growing up in poverty, for more sharing of data at local level between agencies to make more effective assessment of risks, more detailed information on the particular situation of different groups of children at high risk is needed and on the ways in which different aspects of disadvantage interact and reinforce merits more study. The lack of such data may explain why there is insufficient targeting of children experiencing the most serious disadvantages.

Clarity of objectives and targets

While a clear and ambitious vision for all children has been set out in both *Towards 2016* and the *National Action Plan for Social Inclusion 2007-2016* (see the box below) when one examines the NAPSI 2007-2016 more closely, although there are a small number of high level goals and a lot of specific goals for different policy areas, there is a lack of a clear overall objective for preventing and reducing child poverty.

Government’s and Social Partnership’s vision and goals for Irish children until 2016

The parties to this agreement share a vision of an Ireland where children are respected as young citizens with a valued contribution to make and a voice of their own; where all children are cherished and supported by family and the wider society; where they enjoy a fulfilling childhood and realise their potential.

To achieve this vision, the Government and social partners will work together over the next ten years towards the following long-term goals for children in Ireland: every child should grow up in a family with access to sufficient resources, supports and services, to nurture and care for the child, and foster the child’s development and full and equal participation in society; every family should be able to access childcare services which are appropriate to the circumstances and needs of their children; every child should leave primary school literate and numerate; every student should complete a senior cycle or equivalent programme, (including ICT) appropriate to their capacity and interests; every child should have access to world-class health, personal social services and suitable accommodation; every child should have access to quality play, sport, recreation and cultural activities to enrich their experience of childhood, and every child and young person will have access to appropriate participation in local and national decision-making.

Towards 2016

The NAPSI prioritises the issue of child poverty and contains four high-level goals for children as follows:

- 1) ensure that targeted pre-school education is provided to children from urban primary school communities covered by the Delivering Equality of Opportunity in Schools (DEIS) action plan;
- 2) reduce the proportion of pupils with serious literacy difficulties in primary schools serving disadvantaged communities. The target is to halve the proportion from the current 27%-30% to less than 15% by 2016;
- 3) work to ensure that the proportion of the population aged 20-24 completing upper second-level education or equivalent will exceed 90% by 2013;

4) maintain the combined value of child income support measures at 33%-35% of the minimum adult social welfare payment rate over the course of this Plan and review child income supports aimed at assisting children in families on low income.

However, there is no clearly stated overall objective in relation to child poverty. Neither is there an overall target to reduce child poverty or any commitment to move towards the standards of the best performing EU countries. There is an overall anti-poverty target set in the NAPSII which is "To reduce the number of those experiencing consistent poverty to between 2% and 4% by 2012, with the aim of eliminating consistent poverty by 2016, under the revised definition". Of course this figure contains within it children but given that children have a significantly higher level of poverty than adults it is surprising that a specific target in relation to children has not been set (even though there was one in earlier plans).

In addition, while the use of the consistent poverty measure to set a target is well justified, the failure to also set a relative income poverty target is striking given the analysis in the earlier part of this report. The NAPSII devotes some space to emphasising the "limitations" of the EU's relative income poverty measure (60% of median income). It argues that "It takes no account of overall living standards" though in fact the EU Social Inclusion process has always emphasised that the value of the at-risk-of-poverty threshold should always accompany the indicator of those at risk of poverty i.e. what it means in monetary terms - purchasing power in terms of Euros. While the NAPSII suggests that the EU's at-risk-of-poverty indicator is not suited to making comparisons between countries at different stages of economic development the evidence in the earlier part of this case study shows how badly Ireland does in relation to children at-risk-of-poverty when compared to other EU Member States at comparable high levels of economic development. It is thus surprising that Ireland does not also set a target in the area of relative income poverty.

The setting of clear objectives and appropriate and quantified outcome and input targets in several key policy domains are missing. For instance, on income support, while there is a clear commitment on the value of child income support the NAPSII does not spell out what the overall objective is in terms of ensuring that all children have an income sufficient to lift them out of poverty or set a target in this regard. Also, in spite of the evidence earlier in this report of the importance of joblessness, there is no target on reducing the level of joblessness among families with children. Nor is there a clear objective and target in relation to housing exclusion and homelessness. On the other hand, the three education goals outlined in the NAPSII can certainly contribute to a significant reduction in educational disadvantage and early school leaving but even this is not spelled out as an objective and no overall quantified outcome target is set. For instance the agreed EU indicator covering the dimension of educational outcome and human capital formation which measures early school leaving could have been used.

Also clearly missing are targets for improving the position of the most vulnerable groups and for improving processes and governance. Given the evidence highlighted earlier in this case study one could expect, if one wants to reduce child poverty overall, some specific targets to be set for reducing poverty amongst lone parent and large families. There is also a lack of targets in relation to groups in extreme situations such as Traveller children, children with disabilities, immigrant children and children living in or leaving care.

The NAPSII does list lots of actions that are relevant to addressing child poverty across a wide range of policy areas and sometimes mentions specific objectives or targets in different policy areas. It also does mention specific measures in relation to Traveller and homeless children. However, even though the NAPSII is the key strategic document on tackling child poverty, it reads more like an accumulation of a range of rather disparate measures and does not relate these to a series of overall objectives or targets on reducing child poverty and social exclusion.

2.2 Income support

Main measures

Ireland has quite a complex set of income support measures in respect of children which combine both general and targeted payments and schemes. The main payments are Child Benefit, Qualified Child Payments, Early Childcare Supplement, Family Income Supplement, Early Childcare Supplement, Family Income Supplement, Back to School Clothing and Footwear Allowance, One Parent Family Payment and the National Minimum Wage.

Main Income Support Schemes for Families with Children

Child Benefit is a monthly payment for each qualified child normally living with you and being supported by you. Expenditure in 2008 was €2,456 million and the total number of children in respect of whom Child Benefit was paid was 1,141,938. The monthly rate for one child under 18 is currently €166.

Qualified Child Increase is paid to social welfare recipients with dependent children. The rate of payment is €26 weekly for each qualified child.

Early Childcare Supplement (ECS) is a payment to assist with the childcare costs of children under six years of age. Payment is made automatically to you if you get Child Benefit and have a child or children under six. In March 2009 the rate was €83 per month per child up to and including the month the child reaches 5 years. The June 2009 payment, in respect of May, will be €41.50 per month per child until the month the child reaches 5 or until December 2009, whichever comes first. It is been replaced from January 2010 by ECCE.

Early Childhood Care and Education Scheme (ECCE) will replace ECS from January 2010 ECS and will provide a free pre-school year of early childhood care and education for all children between the ages of 3 years 3 months and 4 years 6 months.

Family Income Supplement (FIS) is a weekly payment for families, including one parent families, at work on low pay. It is not subject to income tax and does not affect whether you can get a medical card. In order to qualify for Family Income Supplement, either you or your spouse must be engaged in insurable employment. FIS payment is 60% of the difference between your average weekly family income and the income limit for your family size, rounded up to the nearest euro. Expenditure in 2008 was €170 million. There were 27,798 recipients.

Back to School Clothing and Footwear Allowance is intended to help towards the cost of children's school uniforms and footwear at the beginning of the school year and is a means tested benefit. The rate of the allowance paid for each eligible child aged 2-11 before 1st October 2009 is €200 (and €305 for each eligible child aged 12-17).

One Parent Payment is a payment for men and women who are bringing up a child without the support of a partner. Expenditure in 2008 was €1,067 million. There were 87,840 recipients.

Child Benefit is paid in respect of every child under the age of 16 years, who is ordinarily resident in the State. The most significant measure taken in recent years to support families with children has been the very substantial real increases in Child Benefit rates. Qualified child payments are made to persons in receipt of a social welfare payment in respect of their dependent children under the age of 18 (or 22 if the child is in full-time education). The Early Childcare Supplement was introduced in 2006 and is intended to help parents of children under the age of six to meet their childcare needs. The Supplement is a direct, non-taxable payment, paid at the end of each quarter for each child under six years of age for whom Child Benefit is paid. The Back to School Clothing and Footwear Allowance provides a one-off payment to eligible families to assist with the extra costs when their children start school each autumn. The allowance is intended as a contribution towards meeting the full cost of school clothing and footwear. One-Parent Family Payment is a means tested payment made to men and women who are bringing up a child without the support of a partner. Payment is made up of a personal rate and extra amounts for qualified children. Recipients may also qualify for extra benefits including Fuel Allowance and Family Income Supplement. The upper earnings limit for the existing One Parent Family Payment was increased in the 2007 Budget to €400 per week in accordance with a recommendation contained in the Government discussion paper, *Proposals for Supporting Lone Parents*. A new social assistance payment for lone parents and parents on low income, informed by this discussion paper, is being developed by the Department of Social and Family Affairs.

Main strengths and weaknesses

The extent and value of state supports has undoubtedly increased significantly in recent years, particularly as result of the very significant increases in child benefit (Child Benefit payment rates were significantly increased over an eight year period by between 248% and 280% and cost €2.4 billion in 2008), the introduction of the Early Childcare Supplement since 2006 and improvements in the Family Income Supplement (though take up still remains a problem). The impact of the increases is born out by the EU-SILC data which shows that in Ireland family/child benefits in 2007 accounted for 18% of household income for all households with children and 41% for poor households with children compared to an EU25 average of 8% and 22% respectively. Social transfers accounted for 28% for all

households with children and 65% for poor households with children compared to an EU-25 average of 16% and 37% respectively. The increased investments help to explain the fall in the latest at-risk-of poverty and consistent poverty figures for children. On the other hand, in spite of these improvements child poverty levels still remain quite high when compared to the best performing Member States. Levels of income support are not sufficient to lift families with children out of poverty. This is borne out by recent research by the Vincentian Partnership for Social Justice Welfare showed that rates are not adequate to meet minimum essential budgets. The research shows that only 15 out of a sample of 27 low-income household types are able to afford minimum essential budgets. The remaining 12 households experience significant budget shortfalls and are vulnerable to indebtedness in order to make ends meet. The experience of the Society of St Vincent de Paul in having to supplement household expenditure on basic living costs supports this conclusion. The increases do, however, probably explain why, in relation to the depth of poverty, Ireland is an exception to the EU norm that where the poverty rate is above the EU average the depth of poverty also tends to be above average.

It is possible that the recent improvements in income support for children could be at risk as a result of Ireland's severe economic and financial crisis. Already in two Budgets in 2009 the amount of Early Childcare Supplement and the age to which it is paid have been severely reduced and from January 2010 it will be replaced by a pre-school Early Childhood and Education scheme (ECCE) for all children between the ages of 3 years and 3 months and 4 years and 6 months.

The ECCE is in itself seen as a positive development by many commentators (CORI Justice, 2009 and CRA, 2009). However, it will cost less and cover fewer children than the Early Childcare Supplement. Also in an emergency Supplementary Budget in March 2009 the Government announced the intention to in future either tax or means test the universal child benefit. This is a major change in policy direction. At the same time the Special Group on Public Service Numbers and Expenditure Programmes (2009) has recommended annual savings in child benefit per year of €513 million and in Family Income Supplement of €20 million as well as a 5% general reduction in social welfare rates. Analysing the changes the Justice Desk of the Conference of Religious in Ireland (CORI Justice, 2009) concluded that "This series of proposals is moving policy in the wrong direction at the very time when many families' incomes are under serious threat". The Children's Rights Alliance has also strongly criticized the proposals on child benefit on the grounds that "the universality of Child Benefit is a way of demonstrating the value the State places on children and families." They have suggested that "taxing it would be an unacceptable move, which would hit the poorest families hardest, and would save little money after administrative costs are considered" (CRA, 2009). However, in its submission on the 2009 Budget the Combat Poverty Agency (2009) argued that its "preferred approach to restricting the payment, if this is required for budgetary reasons, would be to tax it. An across the board reduction in rates or means testing of the payment are not favored." The forthcoming report by the Commission on Taxation is likely to add further to this debate and a Government decision is expected later in 2009.

Strengthening policy

The main problem with existing income support policies is that, while there have been significant improvements, on their own they are not sufficient to lift children in the poorest families out of poverty. The Government has recognized this and in *Towards 2016* promised to progress, as a priority, further work aimed at assisting children in families on low incomes, including reviewing child income supports which avoid employment disincentives. This work is to be informed by a study by the National Economic and Social Council (NESC, 2007) on new ways to target child income support. The *Programme for Government* commits to the amalgamation of Qualified Child Allowances and Family Income Supplements in order to develop a second tier of income support targeted at the poorest families. However, the Children's Rights Alliance point out that "there is no indication that a second tier payment will be introduced" (CRA, 2009). Indeed the current economic and financial crisis makes further improvements unlikely in the foreseeable future. There is a serious risk that the existing coverage and the adequacy of income supports may be at risk from cut backs. However, the CRA argue that existing mechanisms for targeting payments at poor families – the Family Income Supplement (FIS) and the Qualified Child Increase (QCI) – need reform. The FIS payment is complicated to access, while the QCI – paid to families that are dependent on social welfare for their income – is paid at a low rate, and can make little real difference to the life chances of children in poor families. Moreover, moving between the two payments is difficult, creating problems for parents shifting between welfare and work. They argue that a second tier, employment-neutral payment, would allow movement between welfare and work, and improve access to the payment by joining up the tax and social welfare systems. They suggest that "The primary and overriding objective of such a payment should be to combat child poverty, and ensure that all children in low income families have adequate resources regardless of their parents' employment status" (CRA, 2009a).

Overall maintaining improvements that have been made in income support for children is very important for maintaining progress in reducing child poverty and helping families to cope with the economic and financial crisis. Then in the medium term making the sort of improvements outlined above is necessary for further progress. However, looking at the very high proportion of the income of poor families with children which comes from welfare and given the very high correlation with joblessness it is equally important to also look at how policies to help more parents, especially lone parents, into decent work and to increase its availability and also to increase investment in key public services for children.

2.3 Access to the labour market and income from employment

Main measures to facilitate access of parents

While there are significant policies and initiatives in place in relation to active labour market policies, promoting flexible working arrangements and childcare arrangements it is striking that very little direct connection is made between these measures and efforts to tackle child poverty in any of the key strategic documents relation to child poverty and social exclusion such as the *NAPSI 2007-2016*, the *NSRSPSI 2008-2010*, the *National Children's Strategy* nor in *Towards 2016*. However, in *Towards 2016* the chapter on people of working age does stress that "employment is a major factor for people exiting out of poverty and that it also influences quality of life and social well-being" and there are significant goals set to increase employability and improved access to employment. The need for a specific initiative in relation to lone parents is highlighted.

Active labour market policies and flexible working arrangements

Ireland's National Strategy Report on Social Protection and Social Inclusion 2008-2010 (NSRSPSI) recognises that the most vulnerable include those who are jobless or in low income employment, mainly due to family responsibilities or disabilities, and the long term unemployed and acknowledges that many of these households have children. Thus facilitating access to quality work and learning opportunities with appropriate incentives is a major Government priority.

This involves: (i) active engagement with the unemployed/inactive to achieve increased employment participation, and (ii) improving access to learning opportunities.

Priority is being given in Ireland's labour market schemes to the long term unemployed, those unemployed aged 15-24, 'non-progression ready' unemployed, and other groups including lone parents, Travellers, people with disabilities and others that are marginalised from the labour market. The main such labour market schemes are: the National Employment Service and the Local Employment Services; the National Employment Action Plan (including the Prevention and Activation and Expanding the Workforce Programmes), High Supports, Bridging/Foundation and Pathways to Employment processes, and other training and employment programmes.

In the area of lifelong learning and access to quality work and learning opportunities policy measures will focus on: low-skilled workers through enhancing opportunities to access education and training; adults from disadvantaged communities, including those in rural areas with particular emphasis on basic literacy, numeracy and IT skills; providing guidance/counseling services to those on literacy programmes, language learning, the Back to Education Initiative and the Vocational Training Opportunities Scheme; and expanding the Back to Education Initiative to build on the adult literacy services, community education, Youthreach, Senior Traveller Training Programmes, Vocational Training Opportunities Scheme and Post Leaving Certificate courses (OSI, 2008).

The NSRSPSI also notes that women disproportionately face barriers to labour market participation, especially lone mothers and mothers of larger families and that the labour market participation of lone mothers is similar to those who are married, but their quality of employment is on average poorer, a higher proportion are unemployed, and have low education and skill levels. Under the Social and Economic Participation Programme the Department of Social and Family Affairs is in the process of developing a wider activation agenda. This approach involves treating all people of working age in a similar way, whether they are unemployed, lone parents, people with a disability or in some other category. The aim is to facilitate progression regardless of the circumstances that led the person to require income maintenance. It also builds on the Departments existing experience and income maintenance relationship with the people concerned, in co-operation with other relevant service providers such as FÁS (the national training agency), Vocational Education Committees (VECs), Health Service Executive (HSE) and other local agencies.

Legislative measures which provide for more family friendly workplaces include statutory entitlements to maternity leave, adoptive leave, carer's leave and parental leave along with all the other employment rights legislation e.g. payment of wages etc. While not explicitly targeting jobless households, single-parent households and larger families, these categories of families would also benefit. Provision is also made allowing employees to take *force majeure* leave with pay, for urgent family reasons owing to illness or injury of a family or household member. There is also significant emphasis on a voluntary approach based on co-operation of the Social Partners at enterprise, national and EU level, to advance the work-life balance agenda. There is a National Framework Committee for Work Life Balance Policies, which has been established under the Social Partnership agreements. The Committee, under Towards 2016, is charged with supporting and facilitating the development of family friendly policies at the level of the enterprise rather than to focus on any specific type of employee.

All these arrangements make a contribution to addressing the problem of joblessness or low work intensity in households with children highlighted earlier in this report. However, although they cover the parents of children at most risk of poverty and social exclusion, they are often not sufficiently targeted or adapted to meet their needs. This is especially noticeable in the case of lone parents. The Department of Social and Family Affairs notes that payment of One Parent Family (OPF) support is made from the time a child is born until 18 or 22 years of age, if in full time education. There are no conditions set regarding working and "there is little active engagement with recipients of OPF supports, unless they seek it themselves" and the Minister has pointed to "the need for a more active process in order to give lone parents the encouragement as well as the confidence to seek assistance and access to the supports that are available. There are many thousands of lone parents actively balancing their parenthood and work responsibilities. The challenge for us now is to provide the right supports at the right time to those lone parents who are welfare dependent" (DSFA, 2008).

A recent study on lone parents and employment (One Family, 2008) demonstrates a high level of motivation among lone parents on the OPF to participate in employment. However, it highlights that there are a range of barriers that must be removed if lone parents are to be able to participate in sustainable employment. The report stresses that activation measures should seek to ensure that lone parents are better enabled to participate in financially viable and fulfilling employment. The key barriers identified are: lack of childcare; barriers to accessing skills and qualifications including the cost of participating in such programmes; housing barriers particularly relating to rent supplement; lack of confidence and therefore the need to ensure that personal development programmes are widely available and accessible to lone parents as part of the activation process. It makes a series of practical recommendations as to how this could be better achieved.

Childcare arrangements

The limited availability and high cost of childcare is probably the single biggest barrier to enabling parents to access the labour market in Ireland. A recent UNICEF Report Card (UNICEF, 2008) shows that Ireland comes bottom of a league table of early childhood education and care in 25 economically advanced countries. Ireland achieves only one out of the ten internationally applicable benchmarks for early childhood care and education – a set of minimum standards for protecting the rights of children in their most vulnerable and formative years – proposed by UNICEF. Ireland has a history of under-investment and weak policies in ECCE. National investment in this area is less than 0.2% of GDP compared to the EU average of 0.5% (OECD, 2008). The European Foundation for the Improvement of Living and Working Conditions (2009) study on childcare in Europe shows that the enrolment rates of children up to two years of age in childcare and early education services, in 2005 for Ireland were low at around 12% for children up to 2 and at nearly 50% for children 3-5 years old. A Eurydice (2009) Network study shows that the participation of 3-year-olds in education at ISCED level 0 is 1.9% compared to an EU-27 average of 72.3. Eurostat (2008) figures show that in Ireland in 2006 13% of children less than 3 (EU average 14%) attended formal childcare for between 1 and 29 hours a week and 5% (EU average 12%) for 30 hours or more a week. For children between 3 years and compulsory school age 80% (44%) attended for between 1 and 29 hours a week and 13% (EU average 40%) for 30 or more hours a week. The OECD heavily criticised Ireland's record on early childhood care and education in 2001 (OECD, 2001) and repeated many of its criticisms in 2006 (OECD, 2006). The OECD has shown that for families on average or lower earnings childcare costs are higher in Ireland than anywhere else in the OECD. As well as cost and availability there is a need to improve quality of provision. Currently implementation of *Síolta* – the National Quality Framework for Early Childhood Care and Education – is voluntary, and not yet linked to funding provided by the National Childcare Investment Programme (NCIP).

There is a recognition by the government of the need to address Ireland's childcare gap and in recent years increased investment is evident but progress has been slow and fragmented. *Towards 2016* (Government of Ireland, 2006) outlines the agreement between Government and the Social Partners to continue to work together over a ten-year period to develop an infrastructure to provide quality, affordable childcare and to work towards increasing the supply of childcare places (of all types) by 100,000 by 2016. Policy actions include new childcare places, training in childcare, a national quality framework, and a national standardized inspection framework, provision of after school facilities, targeting the needs of disadvantaged children, and improving maternity leave entitlements. The main approach in recent years had been to provide payments directly to parents, through the Early Childcare Supplement rather than invest in a quality early childhood care and education infrastructure and universal pre-school services. The Children's Rights Alliance (CRA, 2009) has concluded that "Effectively, the Government has chosen to pay more for an inferior system. Furthermore, there is still no specific regulation which outlines the qualifications, competencies or skills required to work in childcare services." However, the decision in the supplementary 2009 Budget to replace the Early Child Care Supplement with a pre-school Early Childhood and Education scheme (ECCE) for all children between the ages of 3 years and 3 months and 4 years and 6 months represents a shift in direction which has been generally welcomed. However, even with the €170 million allocated to ECCE in the Supplementary Budget, Ireland's investment will still fall well below the OECD average with considerably less than 0.2% of GDP spent on pre-primary education. There have also been efforts to increase the availability of childcare places through The Community Childcare Subvention Scheme, introduced in 2008. However this has had a mixed response from stakeholders. Concerns about the Scheme include two undesirable side-effects: it creates a poverty trap by making childcare too expensive to justify for those on a low wage and segregates children by socio-economic status.

The importance of resolving Ireland's childcare crisis as a key part of addressing child poverty is well illustrated by a recent study of lone parents and employment (One Family, 2008) which concluded that "unless childcare needs are met, 'unsuitable hours' and 'lack of access to flexible employment' are likely to remain key barriers to sustainable employment. 70% agree that childcare problems mean that they will not be able to get a decent job until their children grow up".

Ensuring adequate income from work

The main measures in place to ensure adequate levels of income for parents who work are Family Income Supplement (FIS) and the National Minimum Wage (NMW). Of these the FIS is the more important as it is directly targeted at low wage families with children. FIS is a weekly tax-free payment for families, including one-parent families, at work on low pay. This preserves the incentive to remain in employment in circumstances where the employee might only be marginally better off than if he or she were claiming other social welfare payments. There are currently some 21,000 people in receipt of FIS. Income thresholds have recently been re-focused to include additional gains for larger families. Some 23,200 persons claimed the supplement in 2006. The National Minimum Wage (NMW) was introduced in Ireland in 2000. It was introduced as a social policy commitment of Government in the framework of an assault on exclusion, marginalisation and poverty with an aim to protect vulnerable workers who were prone to be exploited. The rate set for the minimum wage was intended to ensure that vulnerable sectors of the workforce, mainly women and young people, were not exploited and that employment and competitiveness were maintained. The National Minimum Wage Act 2000 provides that the minimum wage rate for an experienced adult employee since 1 July 2007 is €8.65 an hour. In 2009, 1.3% (2,800) of all employees in the industrial sector were on the NMW rate of €8.65 in the first quarter of 2009 (CSO, 2009) when the average hourly earnings in industry were €20.82. Workers on the minimum wage are not required to pay tax or pay related social insurance.

A major problem with FIS is that, as a means tested benefit take up has always been low. In their 2004 Budget submission Comhairle, the Government's citizens information service, estimated take up to be as low as 35% (Comhairle, 2004). Using data from the EU Survey of Income and Living Conditions (EU SILC) for the year 2005 and SWITCH, the ESRI tax-benefit model, Callan and Keane (2008) calculate FIS eligibility. They show that from a sample of 215 cases, 55 were eligible and receiving FIS, 30 were not eligible and receiving FIS while 130 were eligible but not receiving FIS. The Department of Social and Family Affairs is currently undertaking research into how best to increase uptake of the Family Income Supplement (FIS). The Children's Rights Alliance have estimated that full uptake of FIS would reduce child poverty by 3% (CRA, 2009a).

Research undertaken by NESC (NESC 2007) and the ESRI (Callan 2006) has made a case for a new payment to reduce child poverty, targeted specifically at families on low incomes, regardless of parents' employment status. Indeed the *Programme for Government* commits to the amalgamation of Qualified Child Allowances and Family Income Supplements in order to develop a second tier of income support targeted at the poorest families. However, in the current adverse economic and financial crisis this seems unlikely although organizations like CRA continue to press for the introduction of an employment-neutral payment targeted at low income families with children (CRA, 2009).

The need to give more attention to increasing income from employment is one of the key findings of the recent study on lone parents and employment (One Family, 2008). This concludes that if activation is to be successful in reducing poverty in one-parent families it must ensure that greater employment results in greater income; such an outcome is also required if increased labour force participation is to improve rather than reduce family well-being. The report suggest that addressing the issue of low pay means ensuring access to adequate childcare, removing the rent supplement poverty trap and supporting greater access to education, training and qualifications.

2.4 Access to other enabling services

A recent report for the Ombudsman for Children (Kilkelly, 2007) argues that Ireland places a far greater emphasis on income support (both universal and targeted measures) for families with children than most European countries, but invests less in subsidised services and levels of subvention for childcare and health care for children. The report is also very critical of investment in housing supports. From a child well-being perspective it is clearly important to develop a comprehensive approach that encompasses housing and environment, education and training, health

care, child protection and participation in sport, leisure and cultural activities. Indeed a positive feature of the work of the Office of the Minister for Children and Youth Affairs and also in the focus on child poverty in the NAPSI is that all these areas are acknowledged as important. For instance, the NAPSI chapter on children covers Early Childhood Development and Care, health, nutrition, education, Traveller Children, Youth Homelessness and Sport and Leisure (OSI, 2007). There is not space to cover all these areas in this report but particular attention is given to education as it is so critical to children's well-becoming and to breaking the intergenerational inheritance of disadvantage. Health and housing are also covered briefly as they are the other two areas that are most fundamental to well-being.

Educational disadvantage

Improving education provision is a key part of the government's strategy on child poverty with 3 out of the 4 targets set in the NAPSI focusing on education. A 2007 study (Daly, 2007) concluded that "there is quite a lot of activity and significant resources being devoted to 'educational disadvantage' and it is a budget heading that has been growing over the years". A key element of the policy approach, particularly for disadvantaged children, is DEIS – 'Delivering Equality of Opportunity in Schools'. DEIS identifies levels of disadvantage in schools and provides an integrated programme of support to schools identified as disadvantaged. The plan is one of a number of interventions to address educational disadvantage, which include second-chance education and training, increased participation by under-represented groups in further and higher education and the development of provisions for pupils with special educational needs. The School Completion Programme directly targets those in danger of dropping out of the education system. The Home School Community Liaison (HSCL) Scheme is concerned with maximising active involvement of children in the learning process, in particular those who might be at risk of failure. The National Educational Welfare Board (NEWB) is the national agency for encouraging and supporting regular school attendance and has a key role in following up on children who are not attending school regularly, and where there is a concern about the child's educational welfare.

An area whose importance grew significantly in recent years was ensuring the education of the children of refugees and migrant workers. They are entitled to avail of primary and post-primary education regardless of their legal status. The admissions policy of a school cannot discriminate on grounds of nationality or legal status and extra teachers have been provided for language supports. Guidelines have been developed by the National Council for Curriculum and Assessment (NCCA) to support teachers and schools in developing a more inclusive learning environment and in providing students with knowledge and skills they need to participate in a multicultural world. In terms of children with a disability the Government has committed to developing special educational needs services in the framework of the Education for Persons with Special Educational Needs (EPSEN) Act 2004 which provides a legislative basis for assessment, for individual educational plans and for the delivery of services on foot of these plans. The National Council for Special Education is responsible for improving the delivery of education services to persons with special educational needs arising from disabilities with particular emphasis on children. In relation to Traveller children the NAPSI recognizes that they have specific vulnerabilities in relation to education and that additional measures are required. It states that between 2007 and 2011: segregated provision at primary and post-primary level will be phased out to ensure that Travellers are integrated into mainstream schools by 2009; pre-schools for Travellers will be integrated over a longer period with current and new pre-school provision, so that young Travellers may experience an inclusive integrated education from an early age.

In fact Towards 2016 and NAPSI propose many additional actions to achieve the objectives that have been set on tackling educational disadvantage. These include: to tackle literacy and numeracy in primary schools; a reduction in the number of children per classroom teacher at primary level to 27:1 in 2007/8 (20:1 in junior classes and 24:1 in senior classes in disadvantaged urban primary schools) and resources for special needs pupils; an integrated approach to support attendance and retention in schools, including an additional 100 posts by 2009 (for the National Educational Welfare Board and the National Educational Psychological Service) to address absenteeism, early school leaving, behavioural problems and special needs; fostering an inclusive school environment through admission policies; future provision of schools to recognise the diverse nature of pupil enrolment, including the provision of an extra 550 language support teachers by 2009 and support for the integration of international children at primary and second level; and an additional 1,000 places for Youthreach by 2009 and recognition through a national framework of qualifications. Other initiatives relate to curricula developments, special needs services, services for Traveller children, Community Training Centres, school transport, technology enhancements, anti-racism

proposals and resources for youth work. However, the Children's Rights Alliance has documented how many of these commitments are now being abandoned in the light of the economic and financial crisis (CRA, 2009a).

Apart from the failure to follow through on commitments Barnardos (2006) has suggested that the Irish approach to educational disadvantage needs to be expanded and altered. In their view, educational disadvantage policy in Ireland should move beyond the DEIS strategy, which is largely school based, to an approach that focuses on educational equality, which would integrate the school based responses with a whole child approach to educational and social inclusion. Barnardos also recommends that an effective tracking system be put in place to ensure that all children make the transition from primary to secondary school.

Health services

The Irish health system combines public and private institutions and funders. It is primarily tax-financed and is available to all inhabitants, subject to rules on residency and ability to pay. For those on low income, there exists a means-tested medical Card Scheme which includes children based on their parents' income and number of dependent children. It includes a range of free services such as GP services, medicines, in-patient public hospital services, outpatient services, dental, optic and aural services and infant care services (Daly, 2007).

Criticisms of Irish health care include the following. Although expenditure has increased and Ireland spends 7.3% of GDP on public healthcare this is still insufficient when compared to France and Germany which spend 9.7% and 10.9% respectively; and the USA spends 14.6%. The two-tier system of health care favors children in better off families and overall healthcare services for children remain unsatisfactory and uncoordinated (CRA, 2009a). The UN Committee on the Rights of the Child (UNCRC, 2006) has expressed concern about the lack of a comprehensive legal framework in regard to health services and the absence of statutory guidelines safeguarding the quality of and access to health care services as stipulated in article 24 of the Convention, in particular for children in vulnerable situations. It recommended that Ireland adopt all-inclusive legislation that addresses the health needs of children and establish statutory guidelines for the quality of these services. It also underlined the need to pay special attention to needs of refugee and asylum-seeking children, and children belonging to the Traveller community by implementing the existing National Strategy for Traveller Health. The Committee also raised the matter of the mental health of children. Barnardos have called for the extension of the full medical card to all families whose total income is equivalent to that which would make them eligible to pay tax at the standard rate (currently 20%). They also suggest that a targeted programme of investment is needed to ensure that health services are available, accessible and appropriate for children requiring them.

In 2005 the Combat Poverty recommended increased funding for primary health care as one area likely to make the greatest impact among less well off families with children, who are struggling to make ends meet and are unlikely to be able to afford the financial pressures arising from ill health. Initiatives targeted at the community level, like GPs in disadvantaged areas, need additional funding. Other recommendations include greater coverage of the medical card for vulnerable families, and undertaking preventive and other health-improving initiatives (CPA, 2005). Encouragingly *Towards 2016* made a commitment to plan and implement a programme of re-organisation and re-alignment of existing resources in order to deliver a person-centred primary care service through multidisciplinary teams and networks, serving defined populations, as outlined in the *Primary Care Strategy, 2001*. The target is to have 300 primary care teams in operation by 2008, 400 by 2009 and 500 by 2011. The CRA point out that to date progress has been slow. However, the introduction of a new financing programme for Primary Care Teams in Budget 2009 is a step towards meeting the existing 2011 target.

Towards 2016 also commits to delivering a significant number of child and adolescent community mental health teams (CMHTs) within the context of a 7-10 year target of 1 CMHT per 100,000 of the population by 2008, subject to sufficient resources being made available, and two CMHTs per 100,000 of the population by 2013. However a recent assessment by CRA shows that progress in implementing this by the Health Services Executive is very slow.

Another potentially important development highlighted by Mary Daly is the commitment made in *Towards 2016* to develop integrated services and interventions for children at local level. The objective of this initiative is to secure better developmental outcomes for disadvantaged children through more effective integration of existing services and interventions at local level. In addition, the agreement overall puts an emphasis on services at community level. Among its commitments for

example is the plan to develop 500 community care teams by 2011, to provide access to services with particular attention to the needs of medical card holders.

Housing

Increasing the provision of affordable and/or social housing for low income families with children is a key issue. The Combat Poverty Agency has argued that net housing costs for families with children can be burdensome, and those on low incomes in the private rental sector are particularly vulnerable. However, Ireland has a relatively small proportion of social housing compared to European neighbours. Meeting supply targets for social and affordable housing is necessary to allow potential homeowners on modest incomes to acquire a property that is fit and appropriate for their means. In response, in *Towards 2016*, the Government and the Social Partners acknowledged the view taken in the NESC Report on housing in Ireland that an additional 73,000 new social housing units should be provided between 2004 and 2012. However, the Children's Rights Alliance has commented that although new houses are being built it is not enough to keep pace with the sale and demolition of existing social housing and have calculated that the actual net increase in social housing units between 2004 and 2007 was a maximum of 4,200 units per year, just 46% of the NESC target. The collapse of house prices and the rise in vacant houses during the current economic crisis may create new opportunities to expand housing social housing stock. However, at the same time rising unemployment may lead to more people being unable to afford to buy their own house and put more demands on social housing.

The problem of youth homelessness has been tackled since 2001 through a Youth Homelessness Strategy. *Towards 2016* commits to implementing the *Youth Homelessness Strategy* with the objective of reducing and if possible eliminating youth homelessness through preventive strategies. The Strategy is currently being reviewed by the Office of the Minister for Children and Youth Affairs, in conjunction with the HSE. The Children's Rights Alliance comments that further progress has been indicated for 2009, but it is not yet clear what that progress will be. Although the link between children leaving state care and youth detention facilities and youth homelessness has been established, there are still insufficient aftercare services to support children leaving care in their transition to independent living or returning to their families (CRA, 2009a).

3. Conclusions

Overall this study has reinforced the findings of EU Task Force on Child Poverty and Well-Being (SPC, 2008). This placed Ireland in the group of EU countries with relatively good to below average poverty outcomes and stressed that "the main matter of concern is the high numbers of children living in jobless households".

However, the study also shows the importance of comparing Ireland's performance with countries with similar levels of economic development rather than just with the EU average. When this is taken into account Ireland's performance, although improving in recent years, has, overall, been disappointing.

An effective balance between improving income support, increasing access to decent employment and ensuring high quality services for children (i.e. an active inclusion approach) is still to be found.

On the basis of the foregoing analysis it is suggested that there are eight key areas in which policies to tackle child poverty and social exclusion need to be strengthened:

- ✓ first, given the scale of child poverty, the overall approach is too fragmented and lacks a sufficiently clear strategic approach. Clear overall outcome targets and specific targets in relation to each key policy domain and in relation to each of the most marginalised groups need to be set;
- ✓ secondly, policies in relation to early childhood education and care are inadequate and fragmented and are a key factor in low participation in the labour force and low income from work for many families and need to be urgently addressed. They are also a key factor in relation to educational disadvantage;
- ✓ thirdly, active inclusion policies need to be much more targeted on lone parents and parents with three or more children. There also needs to be a more tailor made approach in the implementation of these policies;

- ✓ fourthly, Family Income Supplement (FIS) and the Qualified Child Increase (QCI) should be replaced by a second tier, employment-neutral payment, which would allow movement between welfare and work, and improve access to the payment by joining up the tax and social welfare systems;
- ✓ fifthly, for families where parents can not access work (either temporarily or permanently) the policy aim should be to ensure that the combined income of a household from adult and child welfare payments is sufficient to lift families to at least the 60% median income poverty line;
- ✓ sixthly, the expansion of primary health care teams needs to be continued and accelerated;
- ✓ seventhly, there needs to be a significant increase in the availability of social housing for families with children;
- ✓ eighthly, in the immediate future the establishment of children's services committees covering every county should be accelerated and these should fully involve NGO as well as statutory providers of services to children and their families. In the longer term consideration should be given to structural changes aimed at establishing a stronger statutory basis for coordinating the delivery of services to children and families at local level (possibly by giving a statutory remit in this regard to the Children's Services Committees or to local authorities).

Finally, it is important to stress that, in the current very difficult economic climate, commitments to invest in services and supports for children and their families should be maintained. As far as possible, children and their families should be protected from cut-backs in public expenditure and should not be made to pay for the economic and financial crisis.

Also, faced by the need for budgetary savings, it is important that Government policy does not make the error of resorting to increased means testing and targeting of supports for children.

The well-being of children here and now and their well-becoming in the future and thus the future well being of Irish society and economy is dependent on continued efforts to improve the position of all children and especially those at risk of poverty and social exclusion.

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Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

Greece

Manos Matsaganis

Athens University of Economics and Business

matsaganis@aueb.gr

1. The nature of child poverty and the underlying factors

1.1 The children affected and their characteristics

Child poverty in Greece is high and (on some evidence) rising. According to the latest EU-SILC data, in 2007 it stood at 23.2%, compared to 19.1% in the European Union as a whole. Moreover, child poverty seems to be deep: 9.7% of children aged 0-17 (compared to 6.2% in the EU) lived in households with an equivalent disposable income below 40% of median. As a result of this, the child poverty gap (at 60% of median) is also larger in Greece than in the EU (29.0% vs. 21.4%).

Nor is the picture any more reassuring in terms of material deprivation: 19.7% of children in Greece lived in households unable to afford at least 3 out of 9 basic items (compared to 17.4% in the EU as a whole), while 10.9% were both materially deprived and poor (vs. 8.0% in the EU).

Furthermore, while in the recent past poverty in Greece tended to be lower for children than for the general population, this does no longer appear to be the case: the child poverty rate in 2007 was between 2 and 4 percentage points higher than the overall poverty rate, depending on the poverty line chosen.

Who are the poor children in Greece? With respect to family type, the poverty rate is highest among couples with three or more children (29%) and lowest among couples with one child (17%), while the poverty rate among couples with two children was 23%. Nevertheless, given that almost six out of ten children in Greece lived with their parents and one brother or sister, this family type accounted for as many as 57% of all poor children (compared to a modest 29% in the EU as a whole).

Compared to elsewhere in Europe, single parent families in Greece are rarer, accounting for 4% of all children (11% in the EU). As a result of this, while in the EU as a whole 22% of poor children lived with only one of their parents, the corresponding rate in Greece was 6%.

With respect to age, children with a father and/or mother below 30 have a significantly higher poverty rate. However, in view of current demographic and fertility trends, young parent households (defined as above) account for little more than 10% of all children. There is much less variation with respect to the child's age, with below average poverty rates in the age group 0-5.

In terms of labour market participation, approximately 40% of all children in Greece live with two parents working full-time, 40% again with one parent working full-time and the other not working, while the remaining 20% is split between various other activity combinations¹². Needless to say, poverty rates are far lower in families where both parents work full-time (7.0%) than in those where the father (as is almost always the case) works full-time and the mother stays at home (28.6%). The latter case accounted for over 55% of all poor children (compared to 37% in the EU as a whole).

On the other hand, even though children in jobless households experienced a high poverty rate in Greece (58%, compared to 68% in the EU as a whole), their lower population share meant they accounted for a mere 9% of all poor children (vs. 25% in the EU).

Education is known to be one of the strongest predictors of poverty in Greece (Mitrakos and Tsakoglou 2006). According to the latest evidence, 58% of poor children had a father with low education and only 9% a father with a university degree or equivalent. This contrasted with the EU as a whole, where the education gradient was less marked (43% and 10% of all children in poverty respectively). The correlation of child poverty and mother's education was very similar.

Urbanisation seemed to play a significant role, since child poverty was twice as high in rural areas (31%) as in urban or semi-urban ones (16% to 18%).

Self-reported health also mattered: living with a chronically ill parent increased the risk of child poverty by 12%, while living with two healthy parents lowered it by 1% (the corresponding effect in the EU as a whole was +10% and -6% respectively).

Finally, migrant status appeared to make a large difference with respect to child poverty. In 2007, the poverty rate for children both of whose parents were born outside the EU was 43%, i.e.

¹² Note that in the EU as a whole, the polarisation between one- and two-earner couples with children, where working parents have full-time jobs, is significantly less pronounced (30% and 26% of all children respectively in 2006).

almost twice as high as the general child poverty rate. Even though the number of observations was small, which gives rise to some uncertainty in the precise value of the estimate, the risk of poverty was well below the national average (11%) in the case of migrant children in two-earner families, but extremely high (70%) for single-earner ones. With respect to household type, and bearing in mind the problem of too few observations, single-parent migrant families and those with more than three children had a much higher poverty rate (78% and 70% respectively) than couples with one or two children (38%).

A recent study by Mitrakos (2008), confirms that child poverty in Greece is significantly affected by low education, low work intensity and large family size. Using data from the 2004-5 Household Budget Survey he is able to analyse the distribution of expenditure as well as of income, and to include non-monetary items such as imputed rent and own consumption. He finds that child poverty, estimated at 21.9% on the basis of monetary income, falls to 20.4% when imputed items are included. He also finds that child poverty in terms of monetary expenditure is only 12.4%, rising to 13.2% if imputed items are included. His explanation for this finding is that individuals (especially parents) strive to maintain an adequate level of consumption even when income is low.

Mitrakos (2008) also finds that immigrant households with dependent children face a higher risk of poverty, and estimates it at +37% in terms of monetary income, rising to +231% in the case of expenditure (including imputed items). In an earlier study, Zografakis and Mitrakos (2006) found that immigrants experienced higher poverty and worse housing conditions than other households.

The above raises the issue of statistical coverage and exclusion. Since surveys only cover private households, the data by definition exclude children living in institutions, homeless children and others likely to be particularly affected by poverty. In addition to that, both immigrant and Roma households are under-represented in the HBS as in EU-SILC. Given that both poverty rates and the average number of children are higher among immigrants and the Roma than they are among the non-Roma native-born population, sampling bias is likely to cause estimated child poverty to be significantly below the real but unknown rate.

1.2 Trends

There is some evidence that child poverty in Greece is now rising after a long period of stability.

Mitrakos (2008) argues that the increase in child poverty (from 20.5% in 2004) is indicative of real change not statistical artefact. Bouzas (2005) found the child poverty rate to be on an upward trend, rising from 19% in 1995 to 21% in 2000 and 23.5% in 2003. Earlier data from the European Community Household Panel (Social Protection Committee 2008 p.18), the Luxembourg Income Study and the OECD (Whiteford and Adema 2007 p.13) showed little fluctuation in the child poverty rate from the early 1980s to the beginning of the current decade.

1.3 Absolute poverty

Munzi and Smeeding (2005) estimated the absolute poverty rate in Greece for children aged 17 or less at 31.6%. They set the absolute poverty line at the level of the official US poverty line, adjusted for price levels and household size. On that count, they found absolute child poverty in Greece to be the highest among the 11 developed countries covered by their study (the average rate was 12.5%)¹³.

An earlier study of extreme poverty in Greece (Matsaganis et al. 2001) found that 4.7% of children (aged below 16) lived in households with income under a plausible guaranteed minimum income threshold. The threshold was defined by reference to the social pension, at approximately €4,800 per year for a couple with two children (in 2000). The study provided documentation and support for a proposal to introduce a guaranteed minimum income scheme in Greece which, as the next section makes clear, remains non-existent.

¹³ Arguably, the poverty line chosen by Munzi and Smeeding (2005) was too high for the purpose of estimating absolute poverty in the sense of income below subsistence level.

2. Impact and effectiveness of policies in place

2.1 Overall policy approach

Main features of policy

A review of Greece's 2006-8 National Strategy Report on Social Protection and Social Inclusion concluded that "combating child poverty in Greece has not as yet become a key priority for social policy" (Ziomas et al. 2007).

The 2008-10 National Strategy Report confirms this remains very much the case, notwithstanding the Report's claim that the child poverty rate "is expected to drop" from 23% in 2006 to 18% in 2013 (Greece 2008, p.26)

In general, public policy in Greece seems to rely on the present mix of cash benefits and active labour market policies (the latter mostly financed by the European Social Fund), with official documents betraying no perception of a need to change direction.

In contrast, all available studies with no exception (Papatheodorou 2005, Matsaganis et al. 2006, Mitrakos 2008, Social Protection Committee 2008) show that the capacity of the current policy mix to combat child poverty with the required effectiveness is considerably limited.

2.2 Income support

In Greece, social transfers to families are mostly targeted to those with three children or more. In view of that, poor children in smaller families receive little or no income support. The categorical nature of social assistance and the absence of a guaranteed minimum income scheme in Greece (Matsaganis et al. 2003) compound the problem and leave serious gaps in social protection.

The present report confirms this using the latest EU-SILC data for 2007. More specifically, social transfers (other than pensions) contributed a mere 5.4% to the income of families with children, compared to 16.5% in the EU as a whole, while the average income share of family transfers was 1.3% and 8.0% respectively.

Furthermore, large families received a disproportionate share of what income support there was. The value of family transfers to couples with three or more children in 2007 was 5 times higher than that household type's population share.

With respect to the distribution of family transfers in Greece, 48.2% of the total amount of benefit was received by the richest 30% of families, while only 29.3% was received by the poorest 30%. The corresponding figures for the EU as a whole were 20.5% and 36.4% (data for 2006).

In view of the above, the poverty reduction impact of social transfers is weak. As a proportion of all children who would have been poor in the absence of income transfers, a mere 5.2% escape poverty due to family transfers and 12.3% due to all social transfers other than pensions. This compares very unfavourably with 20.6% and 42.0% in the EU as a whole.

The main policies of income support to families with children currently in force in Greece can be summarised as follows:

Non-contributory benefits to large families

"Third child benefit" is paid to families with a 3rd child aged up to 6, irrespective of income. The monthly rate in 2009 was €174.28, while the number of recipients was 55,524.

"Large family benefit" was originally targeted to families with four or more children.

In 2008, all benefits received by large families, hitherto defined as those with at least four children, were extended to those with three children. The level of benefit depends on the number of dependent children, defined here as unmarried and aged below 23. The base monthly rate in 2009 was €43.55 (per eligible child), while the number of families receiving benefit was 243,016.

A “lifetime pension” is paid to mothers no longer eligible for large family benefit because their children have all grown up¹⁴. The number of recipients in 2009 was 176,355, and the monthly rate was €100.24.

Birth grants

A “birth grant” worth €2,000 is paid (since 2006) as a lump sum to mothers giving birth to a third child. An estimated 10,537 mothers claimed in 2008¹⁵.

A less generous birth grant is paid to mothers not eligible for contributory maternity benefits either as workers or as dependent family members. In 2009, €440.20 (unchanged since 1997) were paid to each of the 390 mothers (in 2007) claiming the grant.

Single parent benefits

Income-tested “unprotected child benefit” is funded by central government but delivered by local authorities at prefecture level.

Beneficiaries are low-income single parent families, or households “protecting” orphans to whom they are related (foster families are not eligible). The income threshold is €2,820 per annum for a family of three, increased by €250 for each additional member. The monthly rate in 2009 was €44.02, while the number of recipients was 20,707 (in 2007). Income threshold and benefit rate were last adjusted in 1997.

A similar “single parent benefit” is provided in a small number of emergency cases by social services. The eligibility criteria are unclear and likely to be discretionary, but include income below €2,817 per annum. Beneficiaries cannot receive unprotected child benefit. The monthly rate in 2009 was €105.65 (one child) and €148.20 (two children), and the number of recipients was 250 (in 2001).

Contributory family allowances

Contributory family allowances are paid to civil servants, while similar arrangements operate in some sectors, for instance in banking, in the context of collective agreements. Private sector employees not covered by such arrangements are eligible for family allowances provided by the Manpower Employment Organisation *OAEΔ*. In 2009, the latter were worth €24.65 per month for a family with two children, while the total number of recipients in 2008 was 397,079.

Child supplements to other benefits

Supplements are available for recipients of social benefits with dependent children, defined as individuals aged below 18 (below 24 if in full-time education). More specifically, supplements increase the base rate of benefit by 10% in the case of unemployment benefits, by 16% in the case of contributory housing allowance (*OEK* rent subsidy), by 2% in the case of non-contributory farmer pensions, and by 20% in the case of contributory old-age, survivor and invalidity pensions. Supplements are per child, with the number of eligible children typically capped at three. Child supplements to contributory pensions are 15% for the second and 10% for the third eligible child.

Tax allowances and credits

Personal income taxation provides tax allowances for dependent children. These extend the no-tax area by €1,000 per year for tax units with one child, by €2,000 per year for two children, and by €10,000 per year for tax units with three or more children. The value of the tax allowance is highest for single-earner tax units with a taxable annual income of €22,000 or above, where it is worth €150 a year for one child, €250 for two children, and €1,850 a year for three children or more.

In addition to the general tax allowance, families with children aged 6 to 16 and an annual income below €3,000 can claim a refundable tax credit. The tax credit is conditional on school attendance and is worth €300 per child per year (unchanged since its introduction in 2002). About 25,300 tax units benefited in 2007.

¹⁴ In this sense, it is highly questionable that the lifetime pension can be classified as income support to families, even though the Greek government clearly believes it can.

¹⁵ Birth grant, lifetime pension, third child benefit and large family benefit are all provided on a non-contributory basis by the Agricultural Insurance Organisation *OΓA*. Furthermore, since 2007 they are all exempt from tax.

2.3 Access to the labour market and income from employment

Access to the labour market

According to the 2008-10 National Strategy Report, “equal opportunity and access to employment continue to remain the main goal in order for the country to eliminate poverty risk”. The Report cites the increased number of beneficiaries from active employment policies for vulnerable groups and the upgrading of public employment services as the main instruments in this direction.

It is true that active labour market policies (funded under the European Social Fund) have involved hundreds of thousands in recent years. Nevertheless, no systematic assessment of the impact of these policies in terms of job creation (net of displacement and other effects) has ever been undertaken. Against this background, female employment remains low (47.9% in 2007, up from 41.8% in 2000), and youth unemployment high (22.9% in 2007, up from 29.2% in 2000)¹⁶.

The distance in terms of female employment between Greece and the rest of Europe is particularly great in the case of mothers looking to return to the labour market when their children have grown a bit. According to data from the latest EU LFS survey, women aged 25-49 living in couples with children aged 0-2 have an employment rate of less than 54%, barely rising to 55% for those with children aged 3-5 and to 60% for those with children aged 6-11. By comparison, the EU average is 58%, 66% and 71% respectively. Note that in contrast to mothers, the employment rate of single women is quite close to the European mean (83% vs. 84%), while that of fathers is actually higher in Greece than in the EU as a whole (97% vs. 92%).

In other words, the main reason Greece is lagging behind other EU countries (and behind Lisbon targets) is the poor employment record of mothers, especially the slow return of those previously employed, and the fact that too many drop out altogether into inactivity. From the perspective of increasing female employment, as well as that of combating child poverty, reconciliation of work and family life is urgently needed.

Flexible working arrangements

According to official statistics, non-standard employment in 2007, defined as fixed-term, part-time or both, involved 13.5% of workers in Greece, compared to 32.1% in the EU-15 and 28.8% in the EU-27 (European Commission 2008). According to EU-LFS data, a mere quarter of employed mothers in Greece work part-time, compared to approximately half in the EU as a whole. Full-time work on a permanent/indefinite-term contract remains very much the norm.

In general, the Greek labour market is characterised by a sharp divide between a rigidly protected formal segment on the one hand, mainly consisting of the public sector and the recently privatised banks and utilities, and a large unregulated segment of smaller firms on the other hand, providing precarious, informal and sometimes altogether unregistered jobs on more flexible terms. A large number of self-employed workers (including an unknown number of dependent workers forced by employers to register as “external collaborators”) complete the picture.

Within the formal segment itself, legislated arrangements distinguish between the public and the private sectors. In the public sector, women and especially mothers enjoy considerable privileges, including the right to maternity leave (20 weeks on full pay), followed by a choice of either extra 9 months of maternity leave or reduced working time by 2 hours a day in the first 2 years after childbirth plus another 1 hour a day for the next 2 years after childbirth (both on full pay), followed by the right to unpaid childcare leave of up to 2 years until the child’s 6th birthday, followed by the right to unpaid leave of up to 2 years “for serious personal reasons” including caring for a relative, plus a host of other favourable arrangements.

In the private sector, legislated arrangements are much less favourable: maternity leave of 17 weeks on full pay, followed by the right to reduced working time by 2 hours a day in the first year after childbirth plus another 1 hour a day for the second year after childbirth (both on full pay), followed by the right to unpaid childcare leave of up to 3½ months until the child is 3½ years old.

¹⁶ Female employment is the number of employed women aged 15-64 as a percentage of all women in the same age group (European Commission 2008, p.2), while youth unemployment is defined as the number of unemployed persons aged 15-24 as a percentage of all economically active persons in the same age group (European Commission 2008, p.13).

Nevertheless, for a variety of reasons these social rights remain theoretical in many private firms. Employers react to the implicit cost of legislated arrangements, either by not hiring young women who might soon become a liability, or by offering less favourable terms to female employees in the event of pregnancy. Needless to add, in much of the informal end of the labour market, where hundreds of thousands of young immigrant low-paid women are employed, legislated arrangements are simply ignored¹⁷.

Childcare

According to the latest EU-SILC data, the proportion of infants aged below 2 not in childcare was in 2006 about 47% (that is, a mere half percentage point above the EU average). However, most infants in childcare were cared for informally (38% of the 0-2 age group), 5% were looked after by a professional childminder, and only 10% were in pre-school or centre-based childcare. In the EU as a whole, the corresponding figures were 18% (informal), 7% (childminder) and 28% (pre-school or centre-based) respectively.

The under-provision of formal centre-based childcare persists in the 3-5 age group, where 62% of children were in pre-school (83% in the EU). In Greece about 1 in 4 children of that age were not in childcare of any kind, compared to 1 in 10 in the EU as a whole. Out-of-hours centre-based facilities covered 5% of children aged 3-5 and 10% of those aged 6-11, while the corresponding coverage rates for the EU as a whole were 9% and 19% respectively.

EU-SILC data provide no information on the cost of childcare to parents at the point of use, nor do they distinguish between public and private providers. Nevertheless, earlier studies found that the public/private mix in centre-based childcare was roughly 75/25 in the 1990s (Symeonidou et al. 2000), while a more recent survey estimated the average monthly fee charged in private childcare centres at €295 against €50 in public ones (Matsaganis and Gavriadi 2005)¹⁸. Since most public childcare centres are run by local government, pricing policies differ widely. Some municipalities subsidise childcare services fully, though most apply income-related fee structures. Since places are typically limited, priority is given to mothers already having a job (rather than looking for one).

Note that childcare provided informally, typically by grandmothers, implies no (monetary) cost to the families concerned, while the services of professional childminders are privately paid for.

Ensuring adequate income from work

According to EU-SILC data, the in-work poverty rate in 2006 was 14% in Greece compared to 8% in the EU as a whole. EU-SILC data, cited in the 2008-10 National Strategy Report on Social Protection and Social Inclusion show that in-work poverty in Greece is much higher for low- than for high-skilled workers (23% vs. 5%), for those employed on fixed-term or temporary contracts than for those on permanent or indefinite-term ones (19% vs. 4%), for foreign-born than for Greek workers (20% vs. 13%). Because of household composition effects, in-work poverty is also higher for male workers than for female ones (15% vs. 12%).

A statutory national minimum wage is in place (€739.56 monthly in 2009). The national minimum is higher for married workers (813.52 monthly), and rises with seniority (up to €946.84 monthly for workers with at least 9 years of experience, or €1,020.80 if married). Over the last decade or so the statutory minimum has lost ground relative to average earnings and currently stands at 45%, down from 55% in the mid-1990s (INE 2008 p.186).

In practice, in many private firms previous work experience is often ignored, and earnings are set at the absolute minimum (i.e. currently approximately €740 monthly). Moreover, in the informal segment of the labour market, workers are typically paid below the minimum.

In an attempt to boost low earnings, a social insurance contributions rebate was introduced in 2000. Workers earning up to 5.5% above the minimum wage are entitled to a full refund of their social contributions for pension insurance (6.67% of gross wage). The value of the rebate in 2009 was €45.40 monthly. In 2002, the last year for which data were available, the scheme benefited approximately 31,000 workers.

¹⁷ For a recent “feminist critique of legal formalism” see Lyberaki (2009).

¹⁸ The survey covered 181 public and 15 private childcare centres in the Athens area, accounting for 11,000 and 750 children respectively. It also found that nannies charged about €500 per month, while domestic workers baby-sitting were paid about €300 per month (Matsaganis and Gavriadi 2005).

2.4 Access to other enabling services

Housing

According to the latest EU-SILC data, in Greece 67% of children below the poverty line lived in owner-occupied housing in 2006, and 24% in privately rented dwellings, the rest being in families paying reduced rent (1%) or no rent at all (8%). This contrasts strongly with housing tenure in the EU as a whole, where – as far children below the poverty line concerned – owner occupation is lower (47%), the private rental sector a bit more extensive (27%), and partly or fully subsidised rents much more common (17% and 9% respectively).

The relative under-development of social housing in Greece and the bias of public policy in favour of owner occupation leave poor families with children unprotected. Median housing costs in 2006 amounted to 48% of the disposable income of families with children below the poverty line in Greece, compared to 30.5% in the EU as a whole¹⁹.

Public assistance with housing costs is mainly provided via the Workers' Housing Organisation *OEK*. Private sector employees with the required contributory record can claim an income-tested "rent subsidy". Eligibility requirements depend on personal and/or household characteristics. For example, covered workers with two dependent children were eligible for a housing benefit worth €165 per month if their annual income did not exceed €16,000, and if their contributory record extended to at least 1,600 insurance days (or 1,200 if in temporary employment, or 700 if single parent). The number of subsidised families has risen steadily in recent years as eligibility criteria have become less stringent: in 2007 there were 101,868 recipients, compared to 32,712 in 2001.

Education

It has been estimated that 14% to 15% of the relevant age group failed in 2006 to complete upper secondary school (*Lyceum*), while 6% did not even make it to the end of lower secondary school (*Gymnasium*) which is compulsory.

Drop-out rates are significantly higher among Roma and immigrant children, as well as those in vocational training. According to the 2008-10 National Strategy Report "the year 2013 is set as a target to restrict early leaving from school to a level below 10%, while the intermediate target is to reduce early leaving from school to 12.5% by 2010".

Nevertheless, realities can be very different "on the ground". This was recently illustrated by the case of a primary school in Athens, where about 70% of the students are migrants. For a number of years, the headmistress with the teachers had successfully worked to make the school a model of multicultural education. Nevertheless, in a bid to reinforce the "Greek orthodox character of state education", the Ministry of Education terminated the programmes, removed the headmistress and – rather incredibly – took legal action against her for having allowed the use of school buildings for out-of-hours courses in the immigrant students' mother tongue (*GeMIC* 2009). At the time of writing (July 2009), a campaign in support of the former headmistress on the part of left-of-centre parties, teachers' unions, citizen groups and progressive media is in full swing, while her trial has now been postponed for 22 January 2010.

Health

Access to basic health services is severely restricted in the case of undocumented migrants and, to some extent, the Roma. A recent survey concluded that "since a law was passed in 2001, it has been nearly impossible for undocumented migrants to have access to health care outside life-threatening hospital emergencies" (*Médecins du Monde* 2007 p.10).

Moreover, a recent study of the uptake of hepatitis vaccination in the child population of Greece (*Panagiotopoulos* 2007) found that coverage rates for HepB-3 (1st grade) were lower for Roma (59%) and immigrant (91%) children compared to non-minority ones (96%), while coverage rates for HepA-2 (1st grade) were 41% for non-minority children, but only 15% for immigrant ones and virtually zero for Roma.

¹⁹ In the EU-SILC, housing costs are defined as payments for rent or mortgage interest (though not capital repayments), plus the costs of fuel, maintenance and repairs, less housing allowances (net of taxes).

3. Conclusions

Despite occasional hints to the contrary, combating child poverty does not appear to be a policy priority in Greece.

With respect to cash transfers, even though the comparatively generous arrangements in favour of families with 4+ children were recently extended to families with 3 children, the clear majority of children (that is, those living in less numerous families), including most children below the poverty line, receive little or no income support.

Furthermore, the absence of a general social safety net, the rudimentary character of social assistance and the categorical nature of what assistance there is, ensure that the social protection system in Greece can do little, in its present form, to prevent child poverty.

The consolidation of the various family allowances and large family benefits into a universal child benefit, payable at a flat rate from the first child, would be consistent with standard arguments for horizontal redistribution (from single individuals and childless couples to families with children), and go a long way towards providing poor families with a low but significant income base²⁰. On the other hand, as the recent experience of other countries – including Portugal – has shown, the introduction of a guaranteed minimum income scheme would provide a focus for a concerted anti-poverty policy effort at modest cost.

With respect to childcare, the supply of places in publicly-subsidised centres lags behind demand, while the services of private providers remain beyond the reach of most poor families. Improved provision of affordable childcare is a key requirement for the increase in female employment that is necessary for the country to achieve a significant reduction in child poverty.

Labour market conditions are far from favourable for mothers. Public sector jobs are coveted by many women for the security and protection they offer. Outside the public sector, pay is relatively low, labour legislation is applied erratically if at all, and work arrangements are inflexible – at least from the perspective of employees. As a result of that, reconciling work and family responsibilities remains a struggle, which explains Greece's record in terms of low fertility as well as low female employment. Reforming labour markets is a notoriously fraught process. However, it is difficult to see how things can improve unless rigidities in the formal sector as well as precarious conditions in the unregulated sector are simultaneously tackled. In certain cases, this may necessitate a twin approach under which present arrangements are reformed in a more employer-friendly direction, then enforced and policed more effectively than is currently the case. In particular, rather than expecting employers in small firms to bear the costs of maternity leave, the socialisation of such costs through public funding coupled by a more systematic enforcement of the new arrangements could go a considerable way towards neutralising discrimination against young married women in the labour market.

With respect to housing, the relative under-development of social housing and the provision of housing assistance on a contributory basis only mean that affordable housing is not available to a large number of families below the poverty line. Moreover, current policies are quite incapable of coping with emergencies such as those associated with the sudden influx of a large number of undocumented immigrants. Once again, strengthening public provision and introducing housing benefits on a means-tested basis regardless of labour market affiliation would set the stage for a more robust housing policy, better suited to the needs of poor families with children.

Official declarations on the need to reduce the school drop-out rate and integrate immigrant and minority children clash with a rather different reality of resistance to multicultural education on the part of the government and open hostility to immigrant children on the part of some sections of society. The successful integration of immigrant and minority children in the school system is the prerequisite to combating poverty and social exclusion in Greece.

Finally, access to health care is seriously compromised in the case of undocumented immigrants, the Roma and other minorities. Universal provision of basic health services is a key component to any serious effort to combat child poverty and improve child welfare in the country.

²⁰ It has been estimated that replacing all current family transfers including tax allowances by a universal child benefit (even a very low one to ensure fiscal neutrality) would almost double the income share of family transfers to the poorest 20% of the population (Flevotomou 2009).

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Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

France

Michel Legros

Director of the Department of Human, Social and Health Behaviour Sciences

EHESP School of Public Health, France

Michel.legros@ehesp.fr

1. Child poverty: hardly an issue in France

In France, child poverty is an issue that is rarely addressed by social policies or academic research, and does not even figure very highly on the agendas of charities or other such associations. Although it was an extremely topical subject in the 19th century, the development of family-targeted policies between the two World Wars and their implementation post 1945 meant that the issue was largely dropped. It was not lack of political will that caused the issue of child poverty to be put to one side; on the contrary, it was because the considerable state intervention in relation to children was aimed at protecting vulnerable children who were victims of their parents, neighbours, friends of the family, prowlers and so. The child targeted by social policy was abandoned, or mistreated, subject to violence or even, particularly in recent years, when this has become a recurring theme, subject to sexual abuse.

The question of child poverty came to the fore once again in the mid-1990s, with the publication, in December 1996, of a report by the INSEE (the French National Statistical Institute), followed by the circulation of two reports by the French Council for Employment, Income and Social Cohesion in 2004 and 2005.

This increased visibility does not seem to have resulted in any new policies worthy of note in recent years. The 1998 law combating exclusion (LCE), the 2005 Social Cohesion law, state plans to promote social inclusion: none of these measures have accorded much priority to the issue of child poverty. France has opted for a universal policy that is not sharply targeted, apart from a general focus on the family in general. Although the recently adopted objectives concerning reducing poverty do include children, there is no a specific policy target for reducing child poverty.

2. The nature of child poverty and the underlying factors

A child is not poor because of lack of income; a child is poor because he or she lives in a household with income below the poverty threshold. The overall poverty level in France is some 3 percentage points below the EU average, almost regardless of where the threshold is set (except where the threshold is at 40%, where it is somewhat less at 2.4 percentage points). International comparisons made by the OECD and the WHO show that in terms of relative financial poverty among children, France had the 7th lowest rate of the developed countries, after Denmark, Finland, Norway, Sweden, Switzerland and the Czech Republic²¹. In the EU, in 2006, it had the 9th lowest rate after Slovenia, Cyprus and Austria in addition to the Member States listed in the OECD study.

With respect to child poverty, France has a distinct advantage compared with the average situation in the EU. This difference stands out particularly when the threshold is at 60%, but somewhat less so at 40%, suggesting that where the risk of poverty is greatest the protection mechanisms established are better at protecting children in the very poorest families than in the other EU countries.

At-risk-of-poverty rate	Overall population			Children		
	France	UE	Δ	France	UE	Δ
40 % of nemi	2.9	5.3	-2.4	2.6	6.2	-3.6
50 % of nemi	6.6	9.9	-3.3	6.7	11.4	-4.7
60 % of nemi	13.1	16.3	-3.2	15.3	19.1	-3.8
70 % of nemi	21.0	24.1	-3.4	24.4	28.1	-3.7

Source: EU-SILC 2007

Although the child poverty rate at the 40% threshold is slightly below the poverty rate for the population as a whole, the rate for children is much the same as for the population as a whole at the 50% threshold and then increases above the latter at the 60% and 70% thresholds. At the 60% poverty threshold, chosen by the French government as its indicator, the risk of poverty among children is 2.2 percentage points above the level in the population as a whole. At the poverty threshold is lowered, the gap between the two rates diminishes, suggesting that the State provides greater protection for families on very low incomes.

²¹ UNICEF, Child Poverty in Rich Countries, Innocenti Report Card n°6.

At the 60% threshold, two million children are living in households below the poverty line. These results alter slightly if indicators other than financial ones are used. Although the overall situation in France as regards material deprivation is better than the EU average, the differences are smaller and the level of deprivation of children is higher than that for the total population.

	France		EU	
	Overall pop.	Children	Overall pop.	Children
Material deprivation				
Primary indicators (%)	11.8	14.5	15.3	17.4
Secondary indicators (mean)	3.6	3.5	3.7	3.7

Source: EU-SILC 2007

2.1 Child poverty determinants

2.1.1 Single-parent families and large families

Poverty rates differ according to the household situation. As in most of the other countries in the EU, a child living with just one parent is more than twice as much at risk of poverty than a child living with both parents. Moreover, child poverty rates rise in line with the number of children in the family. There are, therefore, thus two groups of children more at risk of poverty than others: children with several brothers and sisters and children being raised by a lone parent.

	Poverty rate	Intensity of poverty
Couples with children	12	18
with 1 child	9	20
with 2 children	9	17
with 3 children	13	17
with 4 children and over	34	19
Single-parent families	27	18
with 1 child	20	16
with 2 children	28	17
with 3 children	39	18

Source: ERF, INSEE 2003, DREES, n°555, February 2007

The difference between the child poverty rate and the overall poverty rate is due to the fact that child poverty is concentrated in two specific groups, in which the number of children relative to the number of parents is unbalanced. This feature needs to be emphasised, as not only does it explain why child poverty is particularly prevalent, it also shows where policy attention should be focused if the situation is to be remedied. In June 2008, INSEE devoted an issue of INSEE-premières to single-parent families, whose number has continued to grow for over 40 years. There are two and a half times as many such families now than in 1968, with 2.8 million children living in one-parent families. Single parents generally have fewer qualifications than couples, making it more difficult for them to find work. The 2009 edition of the annual report of the leading French charity Secours catholique shows the extent of the problem of poverty in one-parent families.

While 21.6% of families with children in France are single-parent families, 60% of the families visiting Secours Catholique centres have only one parent. Such families are significantly more at risk of poverty than other families. But their vulnerability does not reside in the larger number of children: it is the reduced number of adults that is at the root of the problem. If one looks at the families attending Secours Catholique centres, couples generally have more children than single-parent families, but overall, the number of children living with just one parent is greater than the number living with both parents. In 2007, 54% of the children attending our centres lived with one parent only, the proportion having increased continuously over the years – in 2002, for example, the percentage was only 49%.

The analysis of family histories carried out by Secours Catholique demonstrates that children generally live with both parents in the years following their birth, the couples separating after several years of cohabitation. Single mothers rarely enter a new partnership subsequently. The likelihood of a child living with just one parent increases with the age of the child. The Secours Catholique report also reveals that the largest proportion of families visiting their centres have a child of around 12 months old, with the proportion decreasing as the age of the youngest child increases. The destabilising effect of a new arrival for a poor family with respect to housing and child-minding is an area that requires analysis.

Access to work or training is twice as difficult for single parents than for couples. Full-time employment when the child is under 3 is practically non-existent. Housing insecurity also affects younger families, particularly single parents.

Secours catholique, 2008

2.1.2 Parental employment and child poverty

After family structure and the number of siblings, the third factor affecting child poverty is parental employment rates. These rates are negatively correlated with child poverty. In their 2003 report, Jeandidier emphasised the special features of the situation in France: "as employment rate fall, the situation of the household deteriorates more in France than in the other countries in the EU"²². Data from the EU-SILC confirm this, while only 6% of French children live in families where nobody is working, these same children make up almost 30% of all children living at risk of poverty. The at risk of poverty rate of children living in such households is 10 percentage points higher than in the EU average. Note that this particular feature of the French situation only to jobless households: for all other cases, poverty rates are 2 to 5 percentage points below the EU average.

The other factors affecting child poverty are the education level of parents and belonging to a migrant family. The age of the parents also has an effect. The lowest poverty rates among children whose parents are aged between 30 and 45²³.

Very young children tend to live in households where the poverty risk is relatively low and the risk tends to increase with the age of the child. This is due in part to the fact that young children are often first children, while children aged 12 to 17 are more often members of larger families, though it is also the case that social transfers tend to be concentrated on the youngest age group.

2.1.3 Housing

Children at risk of poverty tend very often to live in deprived areas. They are more likely to be living in poor housing, with parents struggling to earn enough to over the costs. In urban areas, 36% of children at risk of poverty live in tower blocks, this proportion rising to 43% in urban areas with more than 500,000 inhabitants. A survey carried out by INED (French Institute of Demographic Studies) and INSERM (French National Institute for Health and Medical Research) in collaboration with the French National Observatory for Poverty, examined inequality and social fracture in sensitive urban areas in

²² Idem preceding footnote.

²³ DELL and LEGENDRE, op. cit.

the Ile-de-France region²⁴. The results emphasise the importance of breaks in family relationships in populations living in such areas. Low income families with children are also more likely to live in rented social housing or atypical accommodation (sublet, furnished accommodation, free accommodation). Over three quarters of lone-parent families and 58% of couples at risk of poverty were in rented housing as against 40% of all families with children. Overcrowding affects families with children more often – 25% of those at risk of poverty with children as opposed to 10%.

Many children in low income families live in hostel accommodation. A recent survey by the French Federation of Housing and Social Reinsertion Organisations (FNARS) showed that nearly 14,000 children are currently living in family hostels, particularly mother and child shelters or CADA (reception centres for asylum seekers).

Since January 2008, the new law guaranteeing the statutory right of people to housing should prioritise particular population groups: the homeless, those under threat of being made homeless, those waiting to be re-housed, those living in accommodation that is unfit for human habitation, households with children under 18 without decent or suitably sized housing, and households with a child or other person with disabilities. Implementation of the law is proceeding very slowly and is subject to the extremely powerful pressures of the housing market. Initial analysis²⁵ shows that the law is helping people living in very poor accommodation and lone-parent families, who had not previously enjoyed from priority access to social accommodation because of their extremely low income.

2.1.4 Health

The infant mortality rate of 3.8 in France in 2005 places it in the top third of countries with the lowest rates in the EU, although it still lags behind Finland and Sweden. The list of inequalities regarding health is becoming increasingly well-defined as research results are published. With respect to pregnancy monitoring, the regulations specify 7 prenatal visits: 24% of women with poor school attendance do not attend this many visits as against only 4% of women with a baccalauréat (the school-leaving certificate)²⁶. It is now known that if a child has a parent who consumes excessive amounts of alcohol, he or she is 7 times more likely than other children to become dependent on alcohol themselves. Lower income households spend as little as EUR 3.7 per person a day on food, whereas the minimum amount needed to fulfil dietary needs is around EUR 4 to EUR 5 per day. Nutrition has been the subject of many studies, all of which testify to the significance of social factors. There are, therefore, 10 times as many obese children in families where the father is an unskilled worker (7.4%) compared with those where the father is a manager (0.7%).

As well as poverty and inequalities with respect to health, many studies emphasise the difficult situations experienced by young people, for whom alcohol consumption appears to be a symptom of bigger problems. Experts are now looking as much at the meaning of trends in alcohol consumption, such as seeking to get drunk, as at actual quantities consumed. Such behaviour, which so far had only involved young adults, is now being found increasingly in the under fifteen age group.

Legislation in 1999 established a comprehensive national health insurance system covering healthcare costs incurred by people who had been living in France for at least 3 months and were not covered through employment or other kinds of social protection. Some 600,000 people are currently covered by this system. Nearly 4 million people also receive supplementary assistance with costs not covered by national health insurance. In 2009, to qualify for free national health insurance, people need to have taxable income of under EUR 9,020 a year. Supplementary health insurance is provided for people earning less than EUR 7,447, this sum being increased by 50% for a second member of the household and by 40% per additional dependent person. These figures are significantly below the poverty threshold.

²⁴ Isabelle PARIZOT, Pierre CHAUVIN, Jean-Marie FIRDION, Serge PAUGAM, Santé, Inégalités et ruptures sociales dans les zones urbaines sensibles d'Ile-de-France, Les travaux de l'Observatoire, 2003-2004, Paris, La Documentation française.

²⁵ 2009 Annual report of the Fondation Abbé Pierre pour le logement des défavorisés, www.fondation-abbe-pierre.org

²⁶ SCHEIDEGGER Suzanne, Annick VILAIN, Disparités sociales et surveillance de grossesse, Etudes et résultats, N°552, January 2007.

2.1.5 Social exclusion and educational exclusion

In July 1989, France introduced legislation the aim of which was to ensure that all young people would achieve a minimum of at least one vocational qualification (CAP or BEP), with 80% of them obtaining the baccalauréat. However, indicators show that every year, 60,000 young people, some 8% of the age-group, leave school with no qualifications at all. This figure has remained unchanged since 1995.

A combination of socio-economic and residential factors means that a certain number of young people are unable to take advantage of the opportunity to obtain an education in satisfactory conditions. The carte scolaire, or “schools map”, while supporting the catchment area system in principle, nevertheless accepts many exceptions to the rule, which more informed and educated parents take full advantage of. Inequalities with respect to education are still seen to exist between different social groups. Levels attained by children from the poorest sections of society have increased relatively little over the last 15 years, whereas those attained by children of managers have continued to rise. In addition, while young people categorised as drop-outs or under-achievers who no longer attend school are to be found in all socio-economic groups, they are disproportionately in the lowest income groups²⁷. Only 76% of young people from the poorest backgrounds are still attending secondary school 6 years after starting at the age of 11 as against a the national average of 90%. Those still attending school are generally in vocational rather than academic classes and children from low income families are over-represented among children repeating a year of secondary school because of poor performance.

Among children from working-class families, those with parents born outside the EU face even more obstacles than the rest, as suffer from the cumulative effect of a disadvantaged background and live in rundown areas. Some 10% of children following pre-vocational courses in their fourth year of secondary school are of foreign nationality, though they account for only just over 4% of all children. Foreign children are 10 points below the national average as regards assessments carried out in the first year of secondary school.

2.2 A stable trend over the past few years

The latest information from INSEE, published in September 2006, shows that, taking 50% of average income as the threshold, child poverty stood at around 7.7%, a level that seems to have remained virtually unchanged over the past 7 or 8 years. This means that of the 60 million inhabitants in France, 1 million are children living below the poverty line, a proportion that is 1.6 percentage points above the rate for the population as a whole. If 60% of average income is taken as the threshold, child poverty stands at 15%²⁸. This translates into a difference of 3 percentage points between the child poverty rate and that of the total population, which has also remained broadly unchanged over recent years.

2.3 Persistent poverty

Longitudinal data from the EU-SILC for the years 2003-2006 give an insight into the risk of persistent poverty among children. These indicate that around 55% of the children with income below the poverty threshold (set at 60% of the median) in 2006 also had income below this level in at least two of the preceding three years (the measure of persistent poverty used by the EU as part of the indicators for monitoring social inclusion across the Union). For just over half of the children at risk of poverty, therefore, this was a relatively long-term situation rather than a temporary one. This

²⁷ This paragraph summarises a contribution to the work of the French National Observatory for Poverty made by Marine KHERROUBI, Jean-Paul CHANTEAU and Brigitte LARGUEZE, in 2003-2004: Travaux de l'Observatoire, Paris, La Documentation française.

²⁸ Rates provided by Eurostat and INSEE may differ by one or two points as they do not use the same information-gathering sources.

proportion is higher than that in Austria or Sweden but lower than that in Finland and substantially lower than in Belgium and Italy.

2.4 From non monetary poverty to child well-being

There are very few studies directly focusing on relative indicators of child well-being. In this context, the data gathered by the last Innocenti report represent worthwhile progress, even though the final results are still in need of further analysis. Notions such as low family income, material deprivation and educational well-being, the importance of relationships with peers, the development of at-risk behaviours, indicators of subjective well-being, and the OECD's PISA programme, are all tools to help improve understanding of how children might perceive their own lives. From this perspective, the situation in France can be regarded as being in need of considerable improvement. Although the various indicators of monetary poverty would appear to place France in the top third of the countries concerned, these other indicators relegate France to the bottom third or the bottom half of the table at best²⁹.

So far as access to material everyday resources is concerned, poverty causes children to fall behind. Examining four consumer items – computers, internet access, games consoles and dictionaries – illustrates the clear distinction between the most well-off families, where the children have internet access, and children of the poorest families, who do not own a dictionary. The survey shows a distinct divide between children (aged 6-11) from vulnerable backgrounds, who are less likely to own a computer, games console, or mobile phone or have internet access, and are more likely to have to share a bed, and teenagers from families that are somewhat less poor and have better living conditions. It is worth noting that teenagers from vulnerable backgrounds are in a similar situation regarding consumer goods as children from vulnerable backgrounds regarding pocket money. In this respect, the authors of the survey have shown that poverty causes norms to fall behind the average.

In the context of family life, contrary to the situation described above, poverty seems to put children in positions of excessive responsibility. The survey shows that youngsters are obliged to become independent quickly, with respect to shopping, preparing meals, looking after younger brothers or sisters or helping their parents with paperwork.

As regards relationships, poverty tends to increase isolation. 44% of young people do not live with their father and most teenagers rarely see him, just as they no longer see much of their paternal grandparents, as when a couple breaks up contact with the paternal branch of the family is generally lost. With fewer friends, whom they invite home less frequently, the poorest children have more limited family and emotional lives.

At school, poverty means lack of confidence. The survey shows that the poorest children are more likely to have no help with homework and achieve poorer school results than other children of the same age. The authors of the survey show that both children and parents in the poorest families experience the outside world, including school, as a source of danger from which they must protect themselves.

Child poverty as seen by the children themselves, Secours catholique 2008

2.5 Younger populations with specific problems

Although housing, education and health are the key indicators for describing the problems faced by young people – problems that tend to be embodied in the familiar picture often depicted of young people living in tower-blocks – there are factors and circumstances perhaps less widely reported in the media that give rise to a potential risk of exclusion. While there is a dearth of

²⁹ UNICEF, Child poverty in perspective: an overview of child well-being in rich countries, Bilan Innocenti 7, 2007.

quantitative data concerning these issues, social organisations and workers regularly draw attention to their significance.

- Isolated youngsters living in rural areas where there are very few cultural resources.
- Young people from the Roma community who face problems with schooling.
- Young populations living in the French overseas territories.
- Young homeless people who are particularly vulnerable in an especially violent social environment.
- Violence of young girls³⁰.
- The situation of children of illegal immigrants.

3. Impact and effectiveness of policies in place

French policies are essentially pro-family and aimed at encouraging fertility. They tend towards helping families rather than dealing with children *per se*. Family support consists firstly of significant monetary transfers, aimed at compensating for the costs of raising children, though over the past 20 years it has also increasingly involved the provision of a range of childcare services, primarily targeted at mothers in full-time employment. The breadth of services provided is the main reason for France's relatively high birth-rate and female employment rate.

In parallel with these comprehensive policies supporting high fertility rates, other services are intended to redistribute resources between the various social groups and benefit the poorest families in particular. Family policies are intended to protect families from poverty, even if all families do not receive the same level of protection.

3.1 A policy based on transfers and direct assistance

3.1.1 Services and financial assistance

In 2005, the total sum paid out to families in the form of welfare payments was EUR 505.5 billion, or almost 30% of GDP. The share allocated to family and maternity benefits amounted to EUR 45.5 billion, or 9% of overall welfare payments and nearly 3% of GDP. To get a better idea of the total amounts involved, however, other forms of financial assistance need to be taken into account, such as tax allowances, supplementary benefits paid to meet family expenses, housing benefits, and a significant share of the social transfers related to combating poverty and social exclusion. Indirect support, totalling around EUR 50 billion needs to be added to the EUR 45 billion in direct assistance, which means a total of nearly 6% of GDP.

There are in fact 17 different benefits available to assist families with the costs of children from birth through to the age of 3. The largest of these are family benefits which are not means-tested and are paid to families with two or more children. 4.8 million families are in receipt of these benefits, 69% of whom have two children. In July 2006, the sum paid to families with three children amounted to EUR 267 a month with a supplementary means-tested allowance paid to families with three or more children (of EUR €161.29 a month). The back to school allowance is payable to families with at least one child aged 6-18 and attending school and with an annual income below EUR 22,321 for those with one child, the income threshold being increased by EUR 5,151 for each additional child). The amount payable ranged from EUR 280 to EUR 306 according to the age of the child.

A new scheme has been introduced for parents with one or more children born or adopted since January 2004, consisting of an infant childcare benefit (PAJE), which is means-tested and

³⁰ RUBY Stéphanie, Les « crapuleuses », ces adolescentes déviantes, Paris, PUF, 2005.

includes a basic allowance paid from birth until the child is three years old. Parents can also receive a non means-tested supplement (CLCA) if they cease or reduce paid employment and a free choice of childcare allowance (CMG). At the end of 2005, 1.3 million families were in receipt of the basic PAJE allowance, which varies according to the age of the child and family income. For a family with one child and an income of below EUR 19,513, the PAJE allowance is EUR 441.63 per child under 3.

Lone parents bringing up a child on their own are entitled to a family support allowance (ASF), which is not means-tested and amounts to €85 per month. This benefit was paid to nearly 700,000 households at the end of 2005. The single parent allowance (API) is a differentiated, means tested social minima payment, paid to women with a child and an income of no more than EUR 748 per month. The threshold rises by €187 for each dependent child. Around 206,000 people are currently in receipt of this allowance, a number that is growing by around 5% a year.

In addition to these allowances, there is a range of means-tested housing benefits intended to cover some of the costs of accommodation. The family housing benefit (ALF) is payable to married couples for five years from the date of getting married and to families with dependent members. The individual housing subsidy (APL) is payable to those renting registered accommodation or new homeowners who have been allocated subsidised loans. In addition, the ALS is a means-tested social housing subsidy payable to anyone whatever their age or employment situation. The number of households in receipt of these various subsidies totalled 6.1 million in 2005, with an average amount paid of EUR 190 a month.

According to INSEE estimates, there were 13,547,680 children aged under 18 living in metropolitan France at the beginning of 2005 (and 14,108,818 if French territories overseas are included). Given a birth-rate of 800,000 a year, 2.4 million of these children are aged under three. Half of the children are cared for at home by one of the parents. For some time the State did not foresee the tendency for women to take up paid employment and continued to promote maternal care as the best possible way to bring up children. In the 1980s, however, the authorities started to make a serious effort to increase the number and range of childcare arrangements.

Schools also have an important role to play in accommodating young children. The Education Code provides for school places for children aged 2 and over so long as there are places available. In 2005, 24.5% of two-year-olds, or 193,000 children, attended preschool.

If women are to be able to work, access to suitable childcare facilities is essential. This is the cost of achieving a satisfactory balance between work and family life. The services provided include both individual and collective provision. The two kinds of individual childcare arrangements are registered childminders, who are paid to look after children in their own homes, once they have been approved by the local authority, and nannies who work at the child's home and are paid directly by parents or childcare services. In such cases, parents do not have to pay the employer's share of national health insurance contributions.

The collective services primarily consist of crèches for children aged under 3 whose parents are both at work – families contribute to the running costs according to income – and family crèches, where registered childminders look after one, two or three children in their own homes. Parental contributions are exactly the same as for collective crèches. There are a number of other arrangements: day-care centres, toy libraries, outdoor play centres, leisure centres, and family drop-in centres. Despite efforts to promote childcare in private companies, there are so far few examples.

Provision is unevenly distributed. There is a considerable shortage of collective care arrangements in small towns and rural areas, while systems favouring children whose parents both work mean that women whose partners are unemployed can be prevented from working. The development of childcare provision is increasingly taking place in a market-orientated context, which, while it gives some mothers a wider choice, tends at the same time to promote part-time employment for women or even complete cessation of work for those with fewer qualifications³¹.

During the presidential election campaign, mention was made of a statutory right to childcare due to be introduced in 2012. However, several reports emphasise the difficulties of implementing this measure when there is such a significant shortage of suitable collective facilities.

While the issue of childcare facilities most often focuses on very young children, the important role played by extra-curricular activities should not be forgotten. In France, these are organised for the most part by community organisations and, primarily, by local authorities. They consist mainly of after-

³¹ Gérard NEYRAND, Nathalie FRAIOLI. *Vie et socialisation des jeunes enfants au regard des modalités de leur accueil*, Centre Interdisciplinaire Méditerranéen d'Etudes et de Recherches en Sciences Sociales, September 2006.

school centres but also include outdoor activity centres and other leisure and holiday facilities as well as homework clubs.

Similarly, since the early 1980s, there has been a big increase in services offered to families aimed at preventing exclusion from school and supporting young people as they look for jobs. They generally involve children aged 16 and over, when schooling is no longer compulsory, and can continue to offer support to young people aged up to 25 and even a little older. These services are usually run by local authorities and include some 400 initiatives and 150 help-centres providing career guidance and help with job-search, as well as meeting places and drop-in centres for young people.

At the end of the 1990s, the idea that parents did not necessarily give up on their children but could obtain help and support, led to the introduction of new family services alongside those mentioned above. These include marital and family information and advice centres (1993), parental support and guidance centres (REAAP – 1999) and, since March 1994, Family Information Points (PIF).

Parental leave is granted for a period of one year and can be renewed once. The leave can be taken up until the child reaches the age of three and the maximum monthly payment is EUR 552. Some 558,000 people are currently in receipt of this payment. A recent change in the law now enables parents with more than three children to opt for just one year of parental leave but with increased monthly payments. The procedure is intended to encourage a return to work, which is likely to prove difficult after an interruption of several years. This new benefit can be shared between both parents.

3.1.2 A system of redistributing income that works but with some limitations

Redistributive transfers affect poverty in two ways: they reduce the number of people with income below the poverty threshold while simultaneously reducing the extent to which income falls below this threshold. This dual effect is especially marked for both single-parent families and those with 3 or more children.

	Before transfers		After transfers	
	Poverty rate	Intensity of poverty	Poverty rate	Intensity of poverty
Couples with children	22	30	12	18
with 1 child	11	31	9	20
with 2 children	15	23	9	17
with 3 children	33	28	13	17
with 4 children and over	64	43	34	19
Single-parent families	46	53	27	18
with 1 child	35	45	20	16
with 2 children	46	52	28	17
with 3 children	71	69	39	18

Source: ERF, INSEE 2003, DREES, n°555, February 2007

Vertical redistribution is particularly significant: 82% of families with three or more children receive a supplementary family allowance and 57% of families with school-age children are in receipt of the back-to-school allowance. While family allowances are not officially intended to be redistributive as such, the significant increase in the sum allocated as the number of children rises makes it in fact redistributive. Analysis of compensation for the costs of bringing up children shows that the income supplement generated by an additional child is larger for lone-parent families (EUR3,000 a year more for the first child, as against EUR 1,800 a year for a couple). Help with school costs, social minimum income schemes and housing subsidies are highly concentrated on the poorest households. The contribution made by housing benefits to reducing inequalities in living conditions is particularly significant, and is similar in its effect to that of social minimum schemes overall.

Despite the sums received in transfers, there are around 2.5 million children under 18 living in single parent families, and another 340,000 living in families with four or more children.

Almost a third of lone-parent families are estimated to rely on social minimum income allowances. Some 31% of single mothers, because of their lower income, currently use a crèche as opposed to 20% of couples where both parents are in employment and 19% employ a nanny as compared with 42% of the latter. While, as was noted earlier, the number of single mothers in work is

relatively high, , they nevertheless also have highest levels of non-employment, and, together with large families, they find it hardest to achieve a satisfactory work/life balance³².

Of the 1.5 million lone-parent families, less than a third receive social minimum allowances, implying that the remainder are in paid employment. It is likely that such women, because of their lack of qualifications, tend to find themselves limited to part-time work and low pay. Low wages, low social minima payments and difficult working conditions are all major obstacles to escaping from poverty for the families concerned.

In the EU overall, the risk of poverty tends to be higher for large families, and this is indeed the case in France, where around a third of children living in households with three or more children are at risk as opposed to 12% for those in households with two children. A family with five children or more is four times more likely to be at risk of poverty than a family with just one child. Whatever the indicators are used - material deprivation, home ownership, holidays or repeating a year at school – they all show that large families face particular problems³³. Contrary to the single-parent situation, low income in families with four or more children is often due to a lack of qualifications and hence limited job opportunities. The risk of poverty in families from outside the EU is also significantly higher than in others, which may signify discrimination.

3.2 Poverty reduction objectives, including child poverty: a new approach

Legislation in 2008 making the 'Active solidarity income' (RSA) universal and reforming 'insertion' (or social integration) policies introduced the target of reducing poverty over 5-year periods, with the submission of an annual report to Parliament on "the conditions of achieving this objective, including the measures and funding required for its fulfilment". The objective of reducing poverty is a global one and does not refer to specific sections of the population; however, the indicators used to monitor progress are broken down by age-group. It will, therefore, be possible to measure the impact of policies on child poverty.

A decree of May 2009 stipulates that poverty is to be measured on the basis of a scorecard of indicators with 11 objectives: fighting poverty and inequality; the cumulative effect of difficult living conditions; child poverty; poverty among young people; the elderly and those in work; improving access to employment, housing; education and training; and healthcare; and combating exclusion from the banking system. Three of the 38 indicators specifically concern child poverty:

- anchored poverty rates for those under 18
- monetary poverty rates measured using the 60% of average income threshold for those under 18
- the difference in the proportion of teenagers with untreated decay in at least two teeth between social groups.

The French social minima reform and the creation of the Active solidarity income (RSA): improving access to employment

The implementation of the RSA, as from June 2009, goes beyond the simple incentive measures already applied to social minima, with the aim of achieving three objectives:

- *to ensure that recipients have are able to live in satisfactory conditions*
- *to improve the situation of low-paid workers, by guaranteeing that everyone over the age of 25 has access to a minimum income and a real increase in income when earnings from paid work increases*
- *to simplify the social minima scheme.*

³² Conciliation et revenus, Etudes et Résultats n°465, DREES, February 2006.

³³ STECK Philippe, Les familles nombreuses : clé de la politique familiale française ou verrou ? Informations sociales, n°115.

The RSA is targeted at all those in receipt of the minimum 'insertion' income or the single parent allowance, as well as those who are already in employment but on low pay. It groups together provision for low-paid workers and former recipients of some of the social minima allowances and should have a significant impact on the income of single parent families.

Recipients of the RSA are then entitled to 're-insertion' support and guidance. This takes the form of both social and professional help, tailored to the needs of the person concerned. For those already in receipt of the RMI (minimum income), this support will be a continuation of the assistance already in place, while for those in receipt of the API it will be a new procedure. For those already in work, the support will above all be optional and will mainly be aimed at ensuring that they remain in employment.

The responsibilities of recipients include to actively look for a job. They are expected to accept a job as soon as one is offered and are not allowed to refuse more than two reasonable job offers. Once they are in a position to look for work, recipients needing help from the various services involved must approach the national employment agency or other relevant agencies if health or housing problems appear to be obstacles to finding employment.

In addition, those receiving the RSA must sign a contract with the department that sets out the rights and responsibilities of both sides with respect to social and professional insertion.

If a recipients do not have any income from employment, they are entitled to the Guaranteed minimum income (RMG), a flat rate amount, equal to the RMI, depending on the composition of the household and the number of dependent children.. The single parent allowance is currently higher than the RMI and the principle remains the same, whereby the RSA is increased in the same circumstances for single-parents responsible for one or more children and for single women expecting a child.

If a recipient finds a job, the RSA makes it possible to cumulate the solidarity allowance and income from work without any a time-limit.

The resulting guaranteed income is calculated as the sum of:

- 62% of income from paid employment*
- the minimum guaranteed income, the amount varies according to the composition of the family*

so that overall income increases , as their earnings increase.

Someone entitled to a minimum flat rate of RSA of EUR 448 who finds a job that pays EUR 600 net will, therefore, enjoy an guaranteed minimum income of $(€600 \times 62\%) + €448 = €820$. A single-parent with one child finding part-time work with a wage of EUR 771 will end up with EUR 1043 (EUR 771 + EUR 187, plus flat rate bonus of €85 for the dependent child).

The amount received stops altogether once income reaches 1.4 times the minimum wage in the case of a single person, 1.64 times the minimum wage for a single-parent with a young child, and from 1.7-1.8 times the minimum wage for a couple with children..

The RSA is expected to be paid to around 3.5 million people. For the unemployed, the amount will be equal to the existing RMI or ASP. When a recipient finds work, the income supplement payable will vary according to earnings and the composition of the household and will range from EUR 280 for a couple with one child to EUR 20 for a single person in full-time work..

This new RSA replaces a system under which social minima were calculated according to the family and financial situation of households. Supplementary benefits like the universal health insurance (CMU) or the housing tax exemption will also be calculated according to household income and all references to status will be removed.

4. Conclusions

The problem of child poverty does not figure on the political agenda in France. This is probably due to the fact that pro-family, comprehensive, redistributive national policies are already firmly anchored. However, a number of reports and press releases, often inspired by adopting an EU perspective, have resulted in the problem receiving slightly more attention.

Some 15.3% of children live in households with income below 60% of the median, which is just over two percentage points higher than for the population as a whole. The risk is particularly high among children with lone parents, in large families, and households where one or both parents are not working.

France has developed a family support policy that relies on benefits, tax advantages and housing subsidies. Together, these policies involve expenditure of around 3% of GDP. For the most part, the policies are universal and family-focused. However, over the years, they have been supplemented by a considerable number of means-tested benefits directed at low income households. This approach seems best suited to meeting the needs of families with very young children.

These policies have had some success in reducing poverty rates while increasing the income of those at risk of poverty, increased fertility rates and the employment of women with children. Nevertheless, national policies are not sufficiently far-reaching to reduce poverty rates to low levels of children in large families and living with lone parents.

Improvement are also necessary in policies for tackling problems relating to the well-being of children, such as poor housing conditions, inferior schooling and limited out-of-school activities.

Although information is scarce, it is clear from studies and reports produced by charitable and community organisations, that the situation is even more difficult for the children of illegal immigrants, Roma children, those living in rural areas and children with disabilities.

The French government has set itself the target of cutting poverty by a third in 5 years. Although the target does not specify a particular reduction in child poverty as such, the general orientation of policy includes children, just as recent reforms such as in the social minima payable to those in employment or the establishment of a statutory right to housing should reduce child poverty over the next few years.

Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

Italy

Daniela Del Boca

CHILD Collegio Carlo Alberto

dani.delboca@unito.it

1. Introduction³⁴

Most international reports show that child poverty rates increased over recent years in European countries where income distribution has become more unequal. Data in the UNICEF Report (2007) indicate that Italy performs worse than most developed countries in this respect as well as there being marked differences across regions. The report highlights the positive relationship between government spending on family and social benefits and child well-being, showing how countries which have implemented specific policies to combat child poverty are those with the best record.

As regards recent trends, the ECHP (European Community Household Panel) data show that in the second half of the 1990s (from 1996 to 2001) the risk of poverty among children remained relatively stable at around 20% in the EU-15 while it tended to decline slightly, from 17% to 15%, among the population as a whole. In the three Southern European countries, including Italy, the risk of poverty rates among children remained at around 25%³⁵.

Data from the EU-SILC introduced to replace the ECHP cannot be compared with data from the latter, especially in terms of levels of the risk of poverty. It is, however, worth noting that the *relative* ranking of countries in 2004 in these terms was similar to that in the late 1990s with the exception of countries that had implemented significant measures to reduce child poverty.

The OECD also recently compiled data from national sources in order to estimate trends in poverty rates since the early 1990s³⁶. These show that in a number of countries, including in Italy, the gap between child poverty and overall poverty rates widened in the late 1990s and early 2000s³⁷.

The purpose of this report is to examine several dimensions of relative and absolute poverty among children in Italy and explore the factors underlying this, which are mainly related to the nature of the labour market and the structure of the welfare state. On the one hand, there are fewer job opportunities for women (especially with children) in Italy than in other countries, which tends to reduce family income, on the other hand, the welfare state devotes most resources to pensions and provides only limited support for families with children (low availability of childcare for young children and very little financial support).

The next section describes the main characteristics of children at risk of poverty in Italy as compared with those in other EU Member States, using the most recent data from the EU-SILC (2007). Section 3 considers trends and the persistence of child poverty across Italian regions. Section 4 examines additional information provided by the new ISTAT absolute poverty measure. Section 5 examines another dimension of children poverty which is related to the human capital of children. Section 6 reports on data and empirical results as regards childcare opportunities and the links with parents' employment. Section 7 contains a brief summary of the new policy initiatives adopted in Italy to reduce poverty and their potential limitations. Section 8 concludes the report.

34 I thank Anna Laura Mancini, Chiara Noè and Silvia Pasqua (CHILD-Collegio Carlo Alberto) who have contributed to the report.

35 This comparison cannot unfortunately take account of the fact that the underground economy tends to be larger in southern European countries especially Italy and Spain, which means that the official income figures understate the true figures significantly, though whether the under-recorded income is larger at the bottom end of the income scale than the top is uncertain.

36 The OECD uses a different definition of relative income poverty based on 50% of the median disposable income, and on a different equivalence scale, which implies that levels and trends in poverty based on this definition might differ to some extent from levels and trends calculated using the EU-SILC.

37 A major difficulty in undertaking poverty analysis at the individual level arises from our ignorance of intra-household distribution. While not the focus of this report, it is important to take account of the role of joint consumption, externalities and the lack of information about the allocation of income and the goods and services purchased within the household in generating "a veil of ignorance" over the intra-household distribution of welfare (Ravallion, 1996, Peluso and Trannyoy 2007).

2. The nature of child poverty and the underlying factors

In Italy, some 25% of children are at risk of poverty according to the latest data (2007 EU-SILC). This proportion is higher than among the population as a whole (20%) and much higher than the average proportion of children at risk of poverty in the EU-25 (19%). Moreover, the difference between the risk of poverty for children and for the overall population is wider in Italy than in the EU as a whole.

So far as household composition is concerned, there are two main groups of households at risk of poverty: lone parents (34%)³⁸ and large families with three or more children (42%). Though the risk of poverty among the first is slightly below the EU average (37%), the risk among large families is much higher than the EU average (24%). While, therefore, 15% of children live in households with more than three children, the risk of poverty for them is over 50% higher than for other children. For children of lone parents, the risk of poverty is also much higher than for others, but these account for only around 8% of children, lower than the EU average (11%)³⁹.

Table 1 - At risk of poverty rate of children (%) by household characteristics

	Italy	EU-25
All children	25.4	19.1
Single-parent household	34.0	37.0
Two adults with 3+ children	42.0	24.0
Jobless household (work intensity = 0)	79.0	68.0
Work intensity = 0.5	35.0	24.0
Mother <30	41.0	27.0
Mother low education	40.0	36.0

Source EU-SILC 2007

The EU-SILC data also indicate that the risk of poverty increases with the age of children (older children are more likely to have siblings and the number of children accordingly increases their risk of poverty).

The risk of poverty of children is also related to the age of the parent: slightly more than 40% of children whose mother or father is below 30 are at risk of poverty, again 50% higher than for children on average, reflecting the relationship between a parent's age and their earnings.

The at-risk-of-poverty rate reaches 41% among children whose parents were born outside the EU, which is significantly more than the overall rate for children (25%). The rate is particularly high among lone parent families (72%) and jobless households (91%). Though the effect of transfers in reducing the risk of poverty for children living in a migrant family is higher than the overall effect (the at-risk-of-

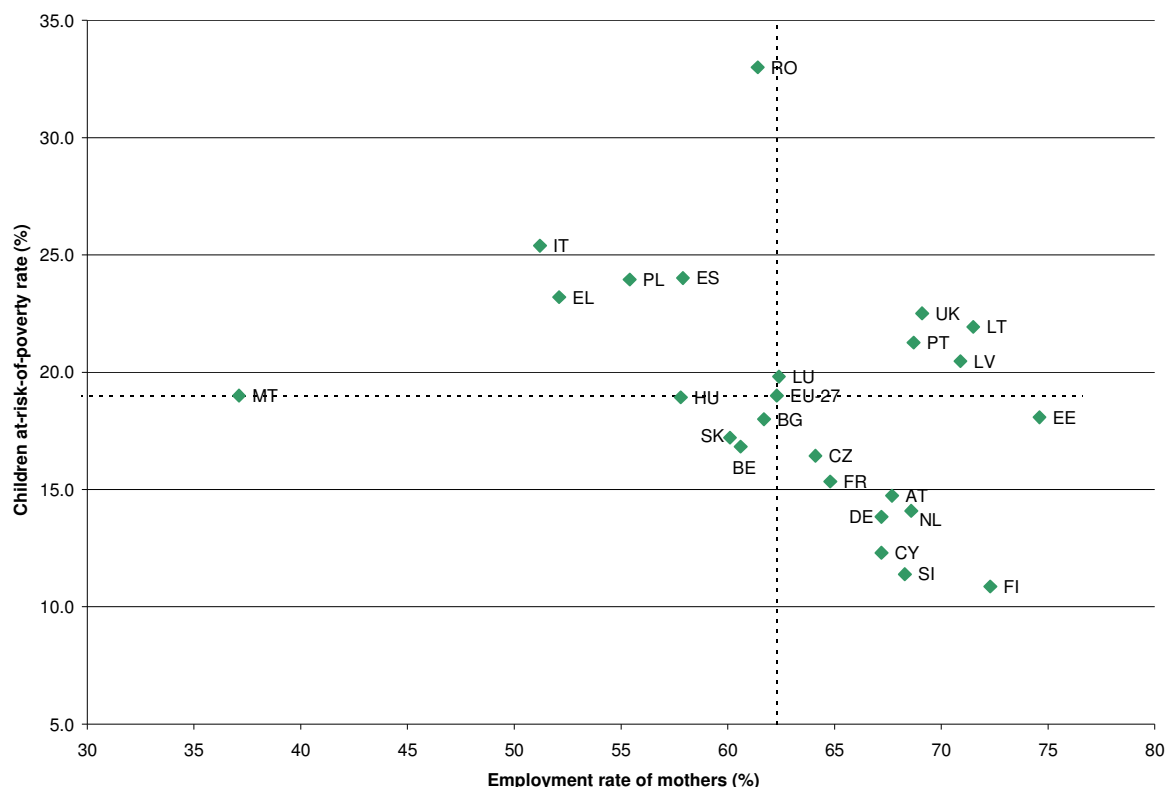
³⁸ The risk of poverty of children living with lone parents is higher in families where the lone parent is the mother. Living with a single mother indeed increases the risk to 37% (in line with the EU average) compared to only 20% for those living with a lone father (the latter share however needs to be interpreted with caution in all Member States because of the small sample size).

³⁹ Brandolini and Saraceno (2007) show that the share of young lone mothers is low in Italy, noting that the figure might be underestimated, since in most cases young unmarried mothers tend to live with their parents.

poverty is reduced by 17 percentage points as a result of transfers), there is no specific policy measure targeted at migrant children.

The risk of poverty is closely related to the employment rates of mothers, or more precisely, to their non-employment rates. In most countries identified among the best performers with regard to child poverty, mothers' employment rates are over 65% (Del Boca Pasqua Pronzato 2009 and Aliaga 2005). Graph 1 below shows that Italy is among the countries with both the highest risk of poverty among children and the lowest employment rate of mothers.

Graph 1 - Employment rates of mothers and children poverty



Source: EU-SILC 2007 (income reference year 2006), LFS.

At-risk-of-poverty rates are own estimations based on EU-SILC 2007, with the exception of BG, MT, RO, EU-27 for which EUROSTAT figure were used.

In the EU as a whole, the employment rate of women with children is lower than those who do not have children (62%, against 70%); but in Italy it is much lower (53% against 60% and 34% with 3 or more children).

In order to understand better the extent to which parental employment is the key to raising the income of households to adequate levels, we need to examine the extent to which people of working age in households are employed and whether, if so, they work part-time or full-time, throughout the year or only for a part of the year. From this, a work intensity index can be calculated for households defined in relation to the employment situation of all working-age members over the income reference period (12 months). A work intensity of 1 refers to households in which all working-age adults are working full-time over the whole year, and a work intensity of 0 corresponds to a "jobless" household where no one is working. Values in between indicate the extent to which those in the household are working part-time or only for part of the year.

Italy is marked by a very high level of in-work poverty: almost 60% of children at-risk-of-poverty live in households with work intensity of 0.5 or over – i.e. where at least one person is employed full-time. The at-risk-of-poverty rate of these children reaches 18% (6 percentage points higher than the EU average, with only Spain having a higher rate). Among children living in households at risk of poverty where someone is employed, some particular groups face a greater poverty risk (above 32%): those

living in large families, those with parents born outside the EU, those with low educated parents and those living in the South of the country – though, of course, these groups overlap to a large extent.

Children at risk of poverty despite at least one of their parents working constitute the central challenge for policy in Italy. Their characteristics are as follows:

- 48% live in households with 2 adults and 2 dependent children and 26% live in large families (with 3 children and over).
- More than half (53%) have low educated parents, i.e. no education beyond basic schooling which is 20 percentage points higher than among all children.
- 14% live with parents born outside the EU, i.e. twice as much as among the total population of children.
- Almost half live in Southern Italy which is a significantly large proportion than their share of all children living in this part of the country (27%).
- Most of their family income comes from earnings (88%). However, income from self-employment accounts for just over a third of total income, which is larger than the share for all children (23%). This suggests that in-work poverty in Italy is partly related to small businesses which cannot provide sufficient earnings for those concerned to prevent their income from falling below the poverty threshold.
- 79% live in a household with only one breadwinner (the father in 95% of the cases).

Children living in households with weak labour market attachment (whose work intensity is below 0.5) also have a relatively high risk of poverty. Such children account for 12% of all children, but their at-risk-of-poverty rate is particularly high since more than half (54%) were threatened by poverty in 2007, which is twice as high as the overall child poverty rate (25%) and significantly higher than the EU average (42%). Among children at-risk-of-poverty living in households with low work intensity, 44% are aged 12-17 and 70% have low educated parents.

One of the main challenges for the government is therefore to increase participation in the labour market with a specific focus on mothers. This can be achieved by, in particular, increasing the supply of public childcare facilities (in terms of both the number of places and the length of time they are open) and by promoting flexible working arrangements. A complementary measure would be to increase significantly the income support to low-income families with children. Apart from a short childcare programme (*Piano straordinario nidi* – see below) in 2006 and the implementation of two new social benefits of a limited nature and amount (the *Bonus famiglia* and the Social Card – see below) in 2008, the authorities have not taken any significant action in this direction.

2.1 The dynamics of child poverty

The way the risk of poverty has changed over time is also important. According to data from Italian National Institute for Statistics (ISTAT), the risk of poverty among families with children seems to have been relatively stable (around 13-15% during the period 1997-2007). It has, however, increased among families with three children or more⁴⁰ (from 26.3% in 1997 to 27.8% in 2007). The corresponding shares are much higher in the Southern regions: from 36% in 1997 to 37.9% in 2007, though the increase has been similar.

It is also important to look at the duration, or persistence, of poverty among children. The “static” approach measuring the spread and intensity of poverty at a given moment in time should be supplemented by a longitudinal analysis of individual experience to indicate how long children remain at risk of poverty, since the policy significance is very different if children remain for only a limited time with income below the poverty threshold than if this is a permanent, or almost permanent, state of affairs. The longitudinal data available from the EU-SILC for the years 2003-2006 throw light on this issue. According to these data, some 19% of children who were at risk of poverty in 2006 were also at risk in at least two of the preceding three years. Accordingly, around three-quarters of those with income below the poverty threshold had income this low for three of the four years for which data are

⁴⁰ Probably because of a lack of effective support to large families.

available, which indicates that it is difficult for households with children to increase their income above the poverty threshold once it falls below.

The results of calculating the persistent risk of poverty from the EU-SILC data are broadly in line with those of a study by Devicienti and Gualtieri (2007), who used the panel aspect of the ECHP to examine in parallel the dynamics of a number of alternative definitions of poverty⁴¹. Income poverty, they defined in terms of equivalent household income, subjective poverty according to an individual's own assessment of ability to make ends meet given available financial resources. In addition, an index of "life-style deprivation" was obtained from the information in the survey on the lack of possession of a number of items deemed as "essential" in contemporary western life. For each poverty definition, the transitions in and out of poverty and the persistence of poverty were estimated and compared. The results of the multivariate models show that those living in households with many children and with low levels of education have a significantly higher risk of persistent poverty than the rest of the population. The situation might be even worse for those living with a non-working head of household (unemployed, out of the labour force) or working an insufficient number of hours, although these variables were not always statistically significant. The region in which the household is located and the employment of mothers are also crucial factors. This is not surprising for a country like Italy, characterised by a longstanding territorial dualism, with an underdeveloped and slowly growing South and a poorly performing labour market, characterised by high rates of long-term unemployment and youth unemployment rate and one of the lowest female participation rates in Europe.

The probability of leaving poverty was lowest for families with children but most especially for families with non-working mother and parents with low levels of education and living in the South.

2.2 Absolute poverty

Recently, ISTAT published a report on absolute poverty in the country (*La povertà assoluta in Italia nel 2007*), absolute poverty being estimated on the basis of a poverty threshold which corresponds to "the minimum monthly expenditure necessary to purchase a basket of good and services considered essential for an acceptable standard of living for a given family"⁴². This threshold varies (by construction) according to family size, age composition, geographic area and city size. The basket includes three macro components: food, housing and residual consumption (items such as education, health and transport).

According to ISTAT (see Table 2), the rate of absolute poverty in Italy in 2007 was 4.1% and varies across regions and among different family types. The rate in the South (5.8%) is much higher than in the North (3.5%) and the Centre of Italy (2.9%)⁴³.

Table 2 - Incidence of absolute poverty (%) in 2005 and 2007 by regions

	2005				2007			
	North	Centre	South and Island	Italy	North	Centre	South and Island	Italy
Family	2.7	2.7	6.8	4.0	3.5	2.9	5.8	4.1
Individual	2.5	2.4	7.0	4.1	3.3	2.8	6.0	4.1

Source: *Rapporto sulla povertà assoluta in Italia nel 2007*, ISTAT

⁴¹ Income poverty, subjective poverty and a multidimensional index of life-style.

⁴² "Rapporto sulla povertà assoluta in Italia nel 2007", ISTAT.

⁴³ While absolute poverty in the South decreased between 2005 and 2007, it increased in the North of the country. [0]While the North-South differences are statistically significant, the differences between the years are not (Statistiche in Breve, Istat, April 2009).

Looking at family types, the highest level of absolute poverty is concentrated among large families (with three or more children) and in particular in families with young children. The poverty rate of households with five members (8.2%) is more than twice as high as for households with two (3.4%), three (3.3%) or four (3.4%) members. Moreover, for households with three children under 18, the proportion increases to 10.5%. The poverty rate of families with three or more children is three times higher than in families either with one child (2.6%) or two children (3.3%).

From 2005 to 2007, the incidence of poverty on average remained broadly unchanged as confirmed by the data on both absolute poverty and relative poverty; but it increased markedly for families with three or more children (from 8 % in 2005 to 10.5% in 2007).

The ISTAT report also considers the incidence of absolute poverty according to the personal characteristics of the head of the household (such as the age, gender, education and occupation). The absolute poverty rate is relatively high for households where the head has an elementary level of education (7.4%) or is a manual worker (5.2%).

Another important characteristic concerns the working status of household members. When all family members are employed, the incidence of absolute poverty is only 1.8%, but it rises to 5.2% if only one member is employed or is searching for a job.

In sum, the absolute poverty data seem to give a very similar picture to that for relative poverty at least in terms of its incidence.

2.3 Early school-leaving and under-age working

Child poverty is strongly related to human capital investment. Individuals with a low level of education are at strong disadvantage in the labour market and are at greater risk of poverty.

The Ministry of Education published a report on drop-outs and early school leavers for lower and higher secondary schools in Italy to check progress towards the Lisbon targets in education and training (to reduce the number of early school-leavers by 50% by 2010)⁴⁴. (In what follows, drop-outs are students who leave school in a particular year before completing their studies, while early school leavers refers to those aged 18-24 with at most lower secondary education who are no longer in education.)

For the academic year 2006/2007, the number of drop-outs was equal to 0.2% of the total number of students attending lower secondary school and 1.6% of those attending upper secondary school. In 2006, early school leavers in Italy amounted to 20.8% of those aged 18-24 (as against an EU average of 15.3%). The high rate of early school leaving is evident not only in the Southern regions, but also in some regions of the North where the labour market demand for low skilled workers is relatively high.

The regional differences in the results of the Pisa-Ocse tests show worse results for children in the South⁴⁵. In particular, the score for mathematical competence is 448 for Southern students against 515 for Northern students. This large territorial difference in student performance is surprising, given the highly centralised nature of the Italian educational system. School teachers are hired through a national competition and receive the same pay in all part of the country, the rate rising according to seniority only. Around 90% of the teaching curriculum is set by the central government, while the remainder is left to the discretion of each school. Two thirds of total financial resources are fixed centrally and only a third by local authorities (which are in charge of providing buildings and basic services such as transport, food and sports facilities). Bratti et al (2007) showed that the most important factors determining both the likelihood of finding employment and the scale of the informal (and illegal) economy are school facilities and the state of the local labour market.

The phenomenon of early school leaving and poor performance is arguably linked to child labour. In Italy, school is compulsory until 16 and children are not allowed to work until they are 14. In practice,

⁴⁴ "La dispersione scolastica 2007", Roma 2008.

⁴⁵ E Bratti, M., Checchi, D., Filippin, A. (2007) "Territorial Differences in Italian Students' Mathematical Competencies: Evidence from Pisa 2003", Iza Discussion Paper No. 2603 (February).

according to a CGIL report⁴⁶, 400,000 children aged under 18 are working⁴⁷. From a geographical point of view, under-age labour is more widespread in southern Italy (60% of the total) although it is relatively common in the north of the country as well (40%). According to the study, child labour is caused not only by economic but also “cultural” poverty. Besides economic aspects, therefore, the cultural attitudes of the families of under-age workers' and their immediate social environment are also important. For example, in many cases the family tends to dismiss the value of education as compared with work, the latter being seen as a factor which enables individual fulfillment. Consequently, numerous minors view work as a means of satisfying their needs through obtaining money. Moreover, small family-run firms tend to view child labour as a resource which facilitates their operations.

According to ISTAT (2002), 0.5% of all children aged 7-10 work, 3.7% of those aged 11-13 and 11.6% of those older than 14. In addition, it is estimated that, 80% of children aged 7-10 who are working live in a family at risk of poverty⁴⁸. School drop-out, early school leaving, and under-age working therefore, seem to be more likely among children at risk of poverty.

Calculating costs and benefits of human capital investment in different periods of children life, the authors showed that costs are lower and benefits are higher when children are younger. In particular, the returns to investment in late childhood and remediation for young adolescents from disadvantaged backgrounds are low, while the returns of early investment in children from disadvantaged backgrounds are relatively high.

2.4 Childcare opportunities: availability and costs

In Italy, childcare options for working parents are more limited than in other EU countries. In the Northern European countries, parents can decide whether to use a combination of part-time work and childcare or to use parental leave (in some countries both parents can take part-time leave)⁴⁹. Moreover, they can choose among private, public and informal services.

The options available for Italian parents are more limited, given less private and public childcare options as well as less part-time employment opportunities and shorter (and lower paid) parental leave (with less possibility of sharing with the partner)⁵⁰. Fathers have been encouraged to take parental leave only since 2000⁵¹.

In spite of a reputation for high quality⁵², childcare opportunities are limited and a large proportion of parents use informal care to take care of their children. The limitations of childcare opportunities concern both availability and costs. In terms of availability, while childcare for children aged 3-5 is very widespread in Italy, childcare for children under 3 is still quite limited.

⁴⁶ Gianni Paone and Anna Teselli ["Lavoro e lavori minorili", Ediesse, Rome \(2000\)](#) and CGIL (2005) "Mai piu lavoro minorile " Rome.

⁴⁷ A qualitative survey was conducted which covered a total of 16 territorial units (large cities, medium-to-small towns and provinces) deemed particularly significant in terms of the extent of child labour. In each of these units, minors were contacted. A total of 600 interviews were conducted. The study did not consider informal, unpaid work (like childcare) or the agricultural sector, which has specific features of its own, and focused on work performed on a continuous basis (seasonal work was therefore not considered).

⁴⁸ "Bambini, lavori, e lavoretti: verso un sistema informativo sul Lavoro Minorile", ISTAT (2002).

⁴⁹ De Henau J., Meulders D. and O'Dorchai S. (2007), "Parents' care and career. Comparing Parental Leave Policies", in *Social Policies, Labour Markets and Motherhood: a Comparative Analysis of European Countries* (D. Del Boca and C. Wetzels eds.), Cambridge University Press.

⁵⁰ In Italy, the division of labour within the household is still very traditional.

⁵¹ Father taking 3 months is entitled to one additional month of parental leave (it implies that he can leave for 4 months). The leave is an individual entitlement but the total amount of the parental leave taken by 2 parents cannot exceed 10 months, or 11 if the father takes at least 3 months. The use is flexible, and can be used until the child is 8 years old. Cash benefit: within the 3rd birthday, 30% for maximum 6 months in total.

⁵² De Haneau et al "Making time for working parents: comparing public childcare provision", 2008.

The EU-SILC data shows that about 20% of children use childcare in Italy. While 27% of parents with income above the poverty line use formal childcare for children under 3, only 17.5% of the families below the poverty line do so. It is a question of availability as well as costs (facilities are less available in areas where the poverty risk is relatively high). Among households with a child under 3, only 23% of women with low education are in employment as against 73% of women with high education. Among low-educated women aged 25-49, 17% are not looking for a job because they believe that no work is available, 37% because they have to look after a child⁵³.

A mismatch between childcare arrangements and the participation of mothers in the labour force is evident in Italy. Since the public childcare system provides care for only a very number of hours, only non-working mothers or those employed in part-time jobs find it useful (Del Boca and Vuri, 2007). In other countries, such as the UK and the Netherlands, childcare availability is also poor and the opening hours limited, but a large number of part-time jobs makes it easier for mothers to reconcile work and caring for children. In Denmark and Sweden for instance, childcare facilities for children under 3 are open for 11 hours a day. Such a degree of availability is of great help to parents with very young children who need to combine their family and professional responsibilities.

The proportion of children in public childcare in Italy is 12% against about 50% in Denmark and 35-40% in Sweden. In the southern regions of Italy, the supply is particularly limited and in some regions it is less than 5% (of the total number of children under 4 living in these areas). It is not a coincidence that the Southern regions are also the ones with lowest female participation rates (less than 30%) and with fewer children (an average of 1.30 children per woman) (Del Boca and A. Rosina 2009, Zollino 2008).

In the Northern areas of Italy, the labour market participation rate of mothers exceeds 60% against less than 20% in the South. Different accessibility rates created a situation of severe rationing of public childcare in some areas of the country, especially in the South. In these regions, women have difficulties to find a job in the formal labour market and are unemployed or work in the underground economy.

In a situation of rationing in particular, the help of grandparents is important. Indeed, they provide flexible help at zero cost. Recent research by Keck and Saraceno (2008) shows that, relative to Germany, the help of grandparents is much more common in Italy. Access to this help however depends on the geographical vicinity of young families and their parents. In Germany, only 7% of children aged under 8 are cared for every day by their grandparents when they are not at school while the corresponding share in Italy is about 24%. Comparing Italy with France and the UK, when grandparents co-reside with their adult children, women have higher participation and fertility rates (Del Boca, Pasqua, Pronzato, 2009). In a situation of lack of childcare and income support for children, grandparents and family ties are of key importance. Basically these data suggest that grandparents share with mothers the burden of childcare much more than fathers. However the support of grandparents may be reduced in the future because of the postponement of the pensionable age of women as well as their greater mobility which is likely to mean that fewer of them live nearby.

Public childcare in Italy is also more expensive than in other countries. Public subsidy accounts for about 80% of the total cost in Italy while in Spain and France it is between 90% and 100%. Private childcare is also more expensive, about 30% more than public childcare (Del Boca, Locatelli and Vuri 2005). Hourly childcare costs are higher in the private sector than in the public sector both for children under 3 (EUR 8.25 as against EUR 7.67, on average) and for those between 3 and 5 (EUR 4.16 as against EUR 2.61). In spite of the higher costs, the recent increase of childcare for children under 3 is mainly due to the private sector. Indeed, private childcare accounted for 7% of all childcare arrangements in 1997, 20% in 2000, 39% in 2005 and 42% in 2007, indicating an increasing demand for more flexible and longer hours of care as well as the continuing rationing (availability and hours) of public childcare.

The priority in public childcare waiting lists depends on the working status of parents, family composition and type, and children's health. The length of waiting lists is indicated by the fact that for every 100 applications, 33 are registered on a waiting list (Del Boca Locatelli Vuri 2005).

⁵³ The results obtained from the EU-SILC data are higher than those reported by the Multi-scope survey of ISTAT 2007 (17%). This is mainly due to a difference in the definitions used. EU-SILC includes more childcare facilities than the Multi-scope survey. In addition, given the different timing of the two surveys during the year, the share of children aged 0-1 is different. Freguja and Cutillo (2009) showed that when the 2 surveys are corrected for the different definitions, the discrepancy between the 2 data sources is not statistically significant.

According to a recent Bank of Italy report (Zollino 2008), there is a positive relationship between the number of existing public childcare facilities and the number of children on waiting lists. Waiting lists are indeed more relevant in regions where public childcare is well established, implying that the provision of places encourages trust of parents in childcare facilities and increases the demand for the service.

However, the small proportion of young children using childcare is not only because of a lack of availability or the relatively high costs but also the “cultural resistance” of Italian families to delegate the care of young children to someone else. As the World Values Survey shows, Italian mothers are those most convinced that young children are better off being looked after by their mother⁵⁴.

According to a ISTAT Survey (2005) almost two thirds of families with children under 3 prefer to take care of their children themselves, while 19% report a preference for using childcare and are able to access this, while 23% report childcare as being limited (the most important reasons are lack of availability in the area, high costs and inconvenient hours of service). This finding is confirmed by another source produced by the Fondazione de Benedetti which interviewed families about their attitudes to formal childcare which showed very similar results.

Another study tried to analyse the effects of reducing the cost and increasing the supply of childcare (Del Boca and Vuri, 2007). The results show that a reduction in childcare costs would have an impact on the participation of mothers in the labour market but only in the North, where childcare is more widespread and well established and therefore well-known and “trusted”. An increase in the availability of childcare is considered to have a positive effect on the likelihood of participating in the labour market, especially of the part of women with low education (Del Boca, Pasqua and Pronzato 2009).

From this, it appears that the most effective policies would be those aimed at increasing the supply of publicly-provided childcare places rather than at reducing the costs. An understanding of the importance of these factors is important in evaluating childcare policies following the Barcelona recommendation⁵⁵. This is particularly the case in Italy, where the majority of families with children have only one child and children would benefit from the socialisation aspects of an expanded childcare system.

2.5 Impact and effectiveness of policies in place

In Italy, pensions account for the largest share of social transfers (80%) while very little is directed to families and children. (In fact, the proportion of transfers going to pensions is larger than in any other EU country, which is only to a small extent explained by the larger number of people in retirement.) Moreover, while in 2007 and 2008 more expenditure was directed to increasing benefits in kind, the new policy initiatives are confined to monetary transfers.

There are basically no, or very limited, measures targeted directly at children in low income families, and most of the welfare transfers and benefits are targeted to families in which at least one parent works on a regular basis.

Moreover, the level and effectiveness of social spending is among the lowest in the EU. The impact of government transfers have been explored in several research papers using EUROMOD, the findings of which have been summarised by the Social Situation Observatory (EC Report Children Poverty in the EU, 2008).

Given that child poverty outcomes result from complex interactions between joblessness, in-work poverty and the impact of transfers, the countries achieving the best outcomes are those that are performing well on all fronts, notably by combining strategies aimed at facilitating access to employment and enabling services (childcare, etc.) with income support (social transfers other than pensions).

⁵⁴ World Values Views Surveys, 2001.

⁵⁵ “Member States should remove disincentive to female labour force participation and strive, taking into account the demand for childcare facilities and in line with national patterns of provision, to provide childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age” Conclusioni della Presidenza, Barcellona, 15-16 marzo 2002.

The effect of social transfers is estimated to reduce the risk of poverty by only 7 percentage points in Italy in contrast to 14 percentage points in the EU. Slightly more than half of this reduction is attributable to family/child-related transfers (4 percentage points). The poverty reduction impact of social transfers is most marked among children aged 6-11 (8 percentage points) whereas it declines progressively as the child's age increases at the EU level.

The 2006-2007 policy measures for poor families focused on transfers for families with a large number of children (Assegno di Sostegno) and increased provision of childcare opportunities (Piano straordinario Nidi)⁵⁶. The latter programme was the first important intervention in terms of childcare for children under 3 since the beginning of the 1970s. The objective was to raise the number of childcare places by 40,000, to increase the types and hours of services available (more flexible hours, childcare at the workplace and playgroups), and to increase the minimum childcare coverage in the South (at least 6% of children under 3 in the South should have access to childcare facilities).

The 2008-2009 new policy interventions for families consists instead mainly of monetary transfers and are very limited in their amount (*Bonus Famiglia* and Social Card).

The *Bonus Famiglia* is directed at low-income families, but only for 2009, and only for Italian citizens. Its amount varies from EUR 200 to EUR 1,000 depending on the number of household members (including children) and family income. People living alone are eligible only if they receive a pension (i.e. it is an income support policy for elderly people in this case). The table below summarizes the amount of the bonus according to household composition. According to the estimates of Baldini and Pellegrino (2009) the potential recipients amount to around 6.45 million households.

Table 3 - Amount of the Bonus Famiglia by household type

Household members	Income threshold in EUR	Bonus in EUR
Single person living alone (with pension)	15,000	200
2 members	17,000	300
3 members	17,000	450
4 members	20,000	500
5 members or more	22,000	1.000

Source: Baldini and Pellegrino (2009)

The Social Card is a cash transfer to support the household expenditure (on electricity and/gas bills or groceries) of low income families. Households with at least 1 child younger than 3 as well as individuals of 65 and older with an equivalent annual income below EUR 6,000 are eligible. Given the eligibility criteria, this support is mainly targeted at the elderly with low incomes much more at than low-income families with children. Moreover, the amount involved is very limited (EUR 40 per month). A recent analysis showed that 78% of households receiving the Social Card are households with at least member aged 65 or more while only 22% are families with children aged less than three (Monti 2009).

⁵⁶ <http://www.politichefamiglia.it>

Table 4 - Beneficiaries of the Social Card by family type

Family type	% beneficiaries	% excluded	Total
Single	2.8	97.2	100
2 adults, both < 65	0.0	100.0	100
2 adults, at least one > 65	6.2	93.8	100
Single parent	3.8	96.2	100
2 adults + 1 dependent child	2.4	97.6	100
2 adults + 2 dependent children	1.5	98.4	100
2 adults + 3 or more dependent children	3.9	96.1	100

Source: Monti (2009)

Using a micro simulation model based on the Bank of Italy data, Baldini and Pellegrino (2009) show that the Social Card will increase the income of recipients in the bottom decile of the income distribution by 8%, while the *Bonus Famiglia* increases it by only 5%.

Given that the incidence of poverty is larger among large families (with 3 or more dependent children) and lone parent households, the Social Card does not seem to address the areas of most serious poverty risk. As the data discussed above have shown, the age of children seems to be much less important than household circumstances. Moreover not all low income families are eligible for the Social Card since most households with no or very low income are excluded because they do not fulfil the eligibility criteria⁵⁷.

Finally, a recent policy initiative (not yet implemented or approved) is the *Fondo di credito per i nuovi nati*. This is a loan of EUR 5,000 to families who have a baby in 2009, 2010 and 2011, which is then to be repaid at an interest rate of 4% over five years. The scheme is aimed at raising fertility rates by alleviating credit constraints on the families concerned. However, as demographers have shown, the low fertility rate in Italy is mainly due to women postponing having their first child. As several studies indicate, “in-kind” services are likely to affect fertility and participation choices more than monetary transfers (Del Boca and Rosina 2009).

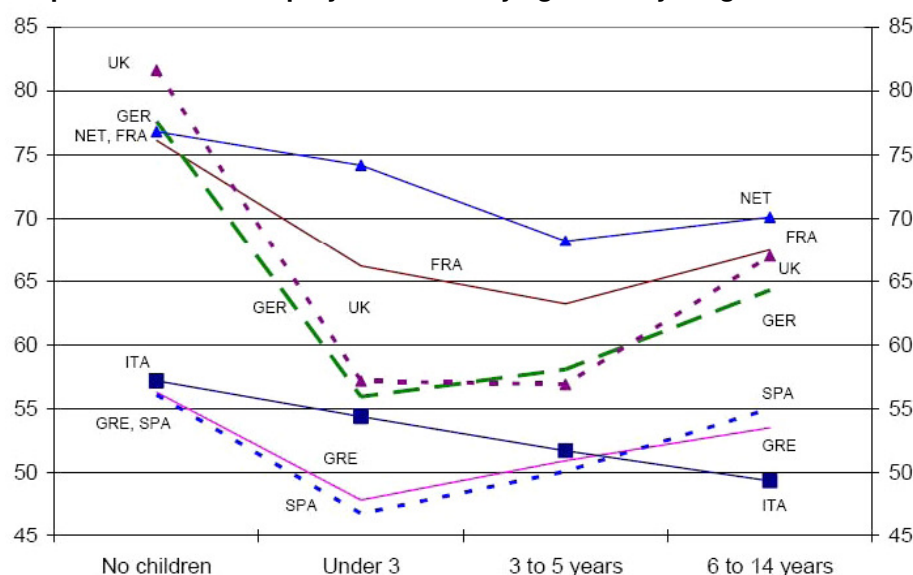
These new interventions directed at supporting low income families with children have been mainly monetary unlike the policy measures adopted by the previous government which were a combination of monetary and in-kind measures. Because of the “temporary” nature of the *Bonus Famiglia* and the limited amount of the Social Card, it is difficult to expect them to have significant effects on poverty rates. The two measures in combination are estimated to reduce inequalities but only marginally (the Gini index of available equivalent income declining from 30.99 to 30.59).

Finally, as mentioned above, the employment of mothers is one of the most important ways to protect children from the risk of poverty in years of recession. But the 2009 School Reform (law 169/08 of 29/10/08) appears to go in the opposite direction. This reform in fact implies a reorganisation of primary and secondary schools with a substantial reduction in the number of teachers (mostly women with children) and a reduction of the full-time schedule in pre-school and primary education (a reduction of some 87,400 teachers in less than three years mostly among women who make up 81% of teachers). Given the lack of other services (such as after-school care), the full-time schedule in pre-school and primary school is one of the most important ways to assist people to reconcile work and family.

⁵⁷ Three other policies were previously implemented: “Assegni per il nucleo familiare”, which is a cash transfer for families of employees or retired. Its amount (quite limited) depends on the number of family members (spouse, children <18, other adults living in the household) and on family income. “Assegno di sostegno”: cash transfer for families with three or more children <18 with equivalent income lower than EUR 22,480.91. The monthly amount is EUR 124.89 and is paid for 13 months. “Deduzioni e detrazioni familiari a carico”: tax credits (decreasing with family income) available for dependent spouses and children.

This is particularly relevant in Italy where, unlike in other countries, the participation rate by the age of the child does not follow a U shape, with a large proportion of women leaving the labour market after the first child and not returning onto the labour market afterwards.

Graph 2 - Mothers' employment rates by age of the youngest child



Source: OECD, *Society at a Glance* (2006)

In the UK, France, Germany and the Netherlands (as well as Greece and Spain even at lower levels of employment), the participation of mothers increases after the child is 3, which is not evident in Italy. The picture is, however, very different for women with higher education who are more likely to return to work after childbearing years. Del Boca Pasqua Pronzato (2009) show that women who have made greater investment in education, and who have higher earnings potential as a result, are more likely to work, irrespective of the characteristics of the environment; they need to recoup their investment in human capital, have better job opportunities in terms of wages and benefits, and, in all likelihood, differ in their preferences regarding employment from women with lower education qualifications.

A policy which has proved to be effective in raising the participation of mothers with low earnings' potential in the labour market is the Working Tax Credit in the UK which provides a benefit to low-income families contingent on them being in employment. In Italy, a recent proposal has suggested making benefits contingent not only on employment but also on the use of formal care services (children and elderly care) (Boeri and Del Boca 2007)⁵⁸. Since in order to obtain the tax credit, families would need to report their income and the costs paid for care, this measure would also tend to reduce the size of the underground economy.

3. Conclusions

All data sources measuring children poverty rates show similar results. The two main groups of households at risk of poverty are single parents (especially if women) and large families with three or more children. The high child poverty rate in Italy is partly determined by the combination of rigidities and limitations of labour market opportunities especially for women (particularly mothers because of limited childcare services and the low support for households with children). Social expenditure for children and households in Italy is only 4.4% of total social expenditure (1.1% of GDP) – the lowest in the EU-15.

⁵⁸ Boeri T, e Del Boca D (2007) "Chi lavora in famiglia" www.lavoce.info

The 2009 *Libro Bianco*, which summarizes the most crucial social problems and welfare priorities for the Italian Government, still neglects the issue of child poverty as well as strategies to encourage the participation of women in the work force. Policies which would appear particularly appropriate to the Italian case include the extension of childcare, schools and other basic social services, the promotion of part-time and other work arrangements suitable to the needs of women during childcare years, a greater investment in re-training programmes and access to ICT.

The EU recommendation to raise women's employment to 60% is at this point an unreachable target (the female participation rate being only 47%). In order to reach this target, the EU has recommended an increase in public childcare availability and the creation of more part-time jobs (as part of the overall Employment Strategy). The results showed that, especially for less educated women (with lower earnings potential and lower status in the labour market, and higher costs of participation) the availability of part-time work, childcare and child allowances has a more significant effect on their labour market decisions. All results indicate that women with lower education (and income) are more sensitive to changes in income and prices - a finding that is consistent with economic theory as well as the results of empirical studies. Recent policy measures unfortunately do not seem so far to go in this direction with potential negative implications for the child poverty rate.

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 The National Childhood and Adolescent Documentation and Analysis Centre: www.minori.it,
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Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

Hungary

Zsuzsa Blaskó
Central Statistical Office,
Demographic Research Institute Budapest
blasko@demografia.hu

1. The nature of child poverty and the underlying factors

1.1 The children affected and the underlying factors

Comparative tables based on EU-SILC 2007 data suggest that the level of child poverty in Hungary (18.9%) is very close to the EU average (19.1%), while the overall poverty rate (12.3%) is lower than the EU25 average (16.3%). These figures are similar to findings from national surveys, although the at-risk-of-poverty rate among children (based on the same modified OECD equivalence scale) was found to be somewhat lower in the TÁRKI's Hungarian Household Monitor Survey in 2007 (15.9%).

At the same time both the TÁRKI and the National Statistical Office estimated that the at-risk-of-poverty rate was 12% in the entire population that year (Gábos and Szivós 2006) – which is similar to the figure derived from EU-SILC⁵⁹.

From this, it follows that relative risk of poverty among children in Hungary exceeds the European average according to any data-sources. The difference between the Hungarian and the European figures is more modest if we consider the Household Monitor Survey (1.32) than if we look at the EU-SILC (1.54).

The key determinants of child poverty on the other hand are similar according to both sources.

Main factors identified often overlap with those in other countries – although their relative importance is different. While demographic factors (such as child's age, age of parents and also type of household) seem to be similarly important or sometimes less important here than in other countries, labour market situation as well as parents' education play a more decisive role in Hungary.

In fact, multivariate analyses show that parents' education and especially employment status significantly reduce or even nullifies the impact of other factors in determining risk of child poverty in Hungary (e.g. Gábos-Szivós 2006.). Country-specific factors not considered in international comparisons include ethnicity and region of residence.

By far the most important among the determinants of poverty in Hungarian households is (the lack of) labour market activity. This has been shown by several national studies (e.g. Gábos-Szivós 2006, Havas 2005), and it is also reflected by the calculations carried out on the EU-SILC 2006 data. However, the indicators applied in the EU-SILC hide some crucial characteristics of the employment situation that are very relevant in Hungary. Although work intensity in itself is important in Hungary, and joblessness does indeed imply a serious risk of poverty, the reason for not working makes a major difference in the possible consequences. In particular, being on maternal or parental leave (the status of a large number of mothers in Hungary) does not imply a great risk of poverty, while other forms of inactivity and also unemployment do.

Level of employment in Hungary is below the European average among both sexes. In 2007, the employment ratio for men was 73 in the EU25 and only 64 in Hungary while it was 58.6 for women in the EU25 and only 50.9 in Hungary⁶⁰. The differences remain, although they get smaller if we consider the 25-49 year old. According to the EU-LFS 2007, the proportion of employed men in (two-parent) households with children exceeds that in childless households, although the difference is not particularly big (86.5 vs. 81.5% - the corresponding EU27 averages being 91.7% and 84%).

⁵⁹ Despite some differences highlighted, figures from the EU-SILC 2007 fit relatively well into the overall picture of child-poverty in Hungary derived from other sources of information. This is not the case with EU-SILC 2006 however. EU-SILC 2006 provides some measures which are seriously contradicting findings from national surveys and which are also outliers in the trends produced by other EU-SILC surveys in Hungary. In particular, overall risk of poverty as well as poverty rates of children was found to be much higher in EU-SILC 2006 than in the Hungarian Household Monitor Survey of TÁRKI in the same year. Since results from the Monitor survey are more consistent with earlier and also later national data as well as with data from EU-SILC 2007, we decided to ignore findings from EU-SILC 2006 in this study. In the lack of any convincing information about the possible sources of the differences between EU-SILC 2006 and findings from other surveys, we interpret them as a result of unknown, perhaps sampling, imputation or other methodological differences in the data sources.

⁶⁰ Source: Eurostat.

The direction of the difference is opposite and the gap is much bigger in the case of women. In Hungary, 80.3% of women in childless households, but only 55.2% of women in 2 parent households are working. This latter figure is among the lowest in Europe and can to a large extent be attributed to the current generous parental leave system in Hungary. This allows parents (mothers in particular) to stay at home until the 3rd birthday of their child.

Research suggests that the majority of women take advantage of this opportunity and – because of multiple births – the average amount of time women stay away from the labour market with their children reaches 4.7 years on average (Bálint and Köllő 2007).

In 2008, 9.3% of women aged 15-54 years were on some form of parental leave⁶¹. Indeed, OECD data shows that only mothers with very young children (0-2 year) lag behind the European average in terms of labour market activity in Hungary⁶². The employment ratio of mothers with older children⁶³ as well as of childless women in the 25-49 age group is very close to the European average⁶⁴.

The unemployment rate in Hungary in 2007 was 7.2% for men and 7.7% for women, reaching 7.7% and 8.1% in 2008⁶⁵. Estimates on EU-LFS suggest that households with and without children are affected by unemployment to a more or less similar extent. The main problem is therefore a low level of economic activity.

Parents' activity in the labour market has major impact on the risk of poverty in Hungary. Together with the level of (father's) education, this has been found to be the most important factor in various poverty-studies for the general population (e.g. Havas 2005) and also for children (eg. Gábos-Szivós 2006). This is well-reflected by the EU-SILC analysis that shows that 73% of children living in a jobless household fall below the poverty line. Although to a lesser extent but households with work intensity measure falling between 0.01 and 0.49 are at an increased risk as well. These are households with a very low attachment to the labour market in general and very often with no attachment to the legal labour market at all. In this group at risk of poverty rate of children is as high as 41%. At the same time the corresponding figure is only 14% for one-earner households (WI=0.5) – a very heterogeneous category including unemployed parent-households as well as families where mothers are on parental leave. The markedly different consequences of these situations can be better seen from an analysis carried out on the 2005 Household Monitor data (Gábos and Szivós 2006). This shows that as many as 61.7% of the children whose father is unemployed and 50% whose father is inactive can be considered as poor. At the same time however only 17.5% of the children whose mother is on parental leave fall below the poverty-line. If the mother is retired, the corresponding figure is 37.5%. The same tendencies remain when the impact of other factors are controlled for. Applying logistic regression Gábos and Szivós find that (beside father's education) the highest risk of poverty were associated with parents' employment status⁶⁶ – but mothers on parental leave imposed no additional risk of poverty on the children.

Because of its infrequency, the impact of part-time work is rarely considered in Hungarian analyses. Incidence of part-time employment in Hungary is indeed among the lowest in Europe. According to LFS data, the ratio of part-time employed in 2008 was 5.6% among women and only 3.3% among men⁶⁷.

⁶¹ Source: EU-LFS. The high prevalence of mothers on parental leave however does not seem to be directly linked to an increased risk of poverty among children.

⁶² <http://www.oecd.org/dataoecd/29/61/38752721.pdf>

⁶³ http://www.oecd.org/document/4/0,3343,en_2649_34819_37836996_1_1_1_1,00.html

⁶⁴ Further, but less relevant reasons for inactivity from a child poverty perspective include retirement. The widespread availability of early retirement and disability pension affects both men and women in Hungary: 8.5% of men between 15-59 years and 5.6% of women between 15-54 years were retired in 2007. Source: EU-LFS.

⁶⁵ http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tabl2_01_02i.html (age group 15-64; source: Central Statistical Office).

⁶⁶ The OECD poverty indicator was regressed on: age of child (3 categories); a combined measure of number of children and number of parents living together; sex of head of household; mother's age (5 categories); type of settlement; ethnicity (Roma vs. not Roma); father's education (3 categories); fathers labour market activity (3 categories); mother's labour market activity (3 categories); proportion of family transfers within the family income.

⁶⁷ http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tabl2_01_07i.html (own calculations based on EU-LFS data; age group 15-64).

Material deprivation in 2007 is 37.4% in the overall population and 42.4% among children – both figures are far above the EU average. Moreover, a national poverty study (Bass et. al. 2007) taking the aspect of consumption into account finds that 73% of low income families report not having enough money for buying clothes for adult family members, and that 48% is trying to save money on food.

According to the estimates based on EU-SILC 2007, parents' (both mothers' and fathers') education is a more important factor of childhood poverty in Hungary than it is in the EU25 on average. Low education implies a severely increased risk in Hungary: the relative risk of poverty is 3.17 in households where parents have a low level of education – as opposed to 2.2 in the EU25. National surveys also show that parents' education plays a key role in determining poverty (e.g. Tóth 2005, Gábos-Szivós 2006.). Almost one third (30%) of the population (aged 15-74) has low education (less than primary, primary or lower secondary)⁶⁸ and they typically suffer from additional disadvantages too. Most importantly, labour market activity of those with below-secondary education is particularly low: in 2008, employment rate of the low educated in the 25-64 age group was 48.1% in the EU27 against only 27.2% in Hungary⁶⁹. Therefore the high risk of poverty of the low educated also reflects the significant risk associated with the lack of labour market activity. This is however not the only reason why low education is linked to an increased risk of poverty. Multivariate analyses consistently show that lack of appropriate education imposes an additional risk, even when employment status is controlled for (e.g. Gábos and Szivós 2008a).

The family type is a crucial factor in determining poverty in most countries – although somewhat less so in Hungary, than elsewhere in Europe. In Hungary, 30% of children in single-parent families fall below the poverty line – this means a group relative poverty risk of 1.58⁷⁰ which is below the European average of 1.94. Nevertheless, the impact of living in a one-parent family remains significant on the risk of poverty, even when other factors are controlled for (Gábos and Szivós 2006). In 2005, 16% of children aged 0-17 were living in single-parent household⁷¹.

The impact of the number of children in the household shows that the risk of poverty is more or less constant with one or two children, but it increases considerably with 3 and even further with 4 children. EU-SILC 2007 data suggest that 30% of children in families with 3+ children are at risk of poverty. Gábos and Szivós (2006) differentiate between families with 3 and families with 4+ children and find that the situation of families with 3 children is markedly different from families with 4+ children. Based on their estimates, the ratio of poor children is 16.4% in “couple with 3 children” families and 45.6% in “couple with 4+ children” families. Their multivariate analysis also shows that only 4+ children have a net negative impact on poverty when other factors are controlled for.

The child's age has essentially no impact on risk of poverty according to the EU-SILC 2007. National resources provide no consistent patterns in this respect. Analysis on the 2005 Household Monitor data shows that older children (aged 15-18) are at an increased risk when compared to younger groups. This however was a novel finding in 2005. Earlier results had shown that poverty is more frequent in families with younger children (Gábos-Szivós 2006). All in all, it seems that the age of the child has no consistent affect and in the most recent years it might not be a crucial factor in determining risk of poverty in Hungary. The same seems to hold for parents' age. EU-SILC data suggest that children with younger (<30) parents are at greater risk of poverty than others. But other findings however show opposite (although moderate) effects (Gábos-Szivós 2006).

Geographical factors are again strongly associated with the risk of poverty in Hungary: both the type of settlement and also the region are important. The strong effect of urbanisation is well reflected in EU-SILC 2007 which shows that one in every four children in sparsely populated areas falls below the poverty line and the group relative risk is 1.3. This means that 66% of all poor children live in rural areas. Gábos and Szivós find very similar tendencies (2006). They also show that 25% of the children in villages live below the poverty line. The ratio of poor children in smaller and bigger towns, and in Budapest is 10%, 13% and 8% respectively according to the TÁRKI data. The problem with rural poverty is that it is multi-dimensional almost by definition. In the case of Hungary, rural income-poverty is usually associated with poor labour-market opportunities, low quality infrastructure, limited access to transport facilities and to a range of services (most importantly childcare and schooling) (e.g. Darvas-Tausz 2007; Bass et al. 2008b). Available information suggests that

⁶⁸ Source: LFS 2008, http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tabl2_01_14i.html

⁶⁹ Source: EUROSTAT.

⁷⁰ Gábos and Szivós (2006) find similar relative risk.

⁷¹ Source: Central Statistical Office. Mikrocenzus 2005.

agricultural production is not very significant in most poor households in Hungary. In the case of the Roma population (a considerable subgroup of the income-poor in rural areas), the lack of agricultural tradition as well as the lack of a suitable land for agricultural production are important factors of low activity of this kind. Molnár and Galla show that consumption from own production was decreasing in the late 1990's in Hungary. In particular its share within the total household income fell from 8 to 6% between 1997 and 2002 – a change that affected the poorest households in the first place (Molnár and Galla 2009).

Although not routinely included in poverty analyses, the geographical region is also an important factor of poverty in Hungary. Worst affected are the former industrial regions (Northern Hungary in particular) and also some densely populated areas in Southern Transdanubia. Regional differences also imply inequalities in childcare availability as well as quality. Only 6% of all the nursery places available in Hungary serve for example the North-Eastern region where 13% of the children aged 0-2 live. On the other hand, 41% of the places are offered in Central Hungary, where only 29% of this age group lives. It is also suggested that regions with a high poverty rate are also receiving lower quality childcare – as measured by overpopulation and lack of highly trained care-takers (Bass et al. 2008b).

Roma children

Regional inequalities are strongly interrelated with the ratio of the Roma population.

Gábos and Szivós (2006) find that in 2005, 35.2% of the children (aged 0-18) living in a Roma-household lived below the poverty line. This is over twice the ratio they found among the children in non-Roma households (14.5%) and 15.3% of the poor children were Roma at that time.

Other studies also show that the Roma below the poverty line are concentrated in the lowest strata – that is, they are more badly affected by extreme poverty than others (Bass et al. 2007, Ladányi 2007). Living in a Roma family increases the risk of poverty considerably even when additional factors are controlled for (Gábos and Szivós 2008).

According to 2001 study, the size of the Roma population in Hungary was 570,000 – i.e. around 6% of the total population (Kemény-Janky-Lengyel 2004). Total fertility rate of the Roma (although reduced somewhat since the mid nineties) was still 3.0 in 2003 when it was only 1.4 among the non-Roma (Janky 2005). In 2001, the proportion of the 0-19 year old was 45.2% among the Roma (Habicsek 2005) while only 23.2% in the entire population⁷².

Poverty-risk factors are seriously concentrated in the Roma population. These include severe under-employment, low education, large families and also place of residence. The Roma were severely hit by the economic transformation when a massive lay-off of the unskilled workforce took place and have not had the chance to catch up ever since. Their employment rate has stabilised at an extremely low level. The employment rate of men (aged 15-59) has been around 29%, while the corresponding ratio of women was as low as 13% in 2003 (Kemény-Janky-Lengyel 2004). Roma employment is not only low, but is also of an unfortunate nature as it is often characterised by short-term and infrequent jobs (e.g. Kertesi 2005).

Disadvantages of the Roma continue to be transferred from generation to generation. While by the 1990's the proportion of the Roma who completed primary education was close to the national average, their disadvantages at the higher levels of education remained significant. Their rates of entry into the secondary level increased but they remained concentrated in vocational education (providing much more limited employment opportunities). At the same time, their drop-out rates at the secondary level continue to be above the average (Kertesi-Kézdi 2008). The proportion of Roma students in higher education is still negligible (Janky 2004).

Kertesi and Kézdi also show that impoverishment due to the collapse of Roma employment⁷³ is one of the key factors behind the widening education gap between the Roma and the rest of the society (2005). Further factors include educational segregation that affects Roma children particularly badly and which was found to strengthen after the political transformation – both for administrative reasons and as a result of spontaneous processes (Kertesi-Kézdi 2005); and low coverage of the Roma children in early childcare institutions.

The ratio of the 3-5 year old attending kindergarten was 88% on average in Hungary in 2000, while the corresponding figure was only 42% among Roma children (Janky 2004). This difference can not only be attributed to the poverty of this group. Although kindergarten attendance of children below

⁷² Source: Central Statistical Office.

⁷³ Ratio of employment fell from 95% in 1984 to 39% by 1993 among Roma men aged 15-49 and from 61% to 23% among the Roma women (Kertesi 2005).

the poverty line is also below the average (in 2006 it was around 75% according to Bass et al.2008b), the arrears is much less dramatic than in the case of the Roma. Some of the disadvantage of the Roma as well as the non-Roma poor children is likely to be due to their high prevalence in small settlements where no pre-school childcare is offered. Nevertheless, there are surely also other factors contributing to this situation (such as an inactive mother, lack of cooperation between parents and institutes etc.).

There is little research evidence specifically on Roma children's access to health care in Hungary. Like all children, the Roma are also entitled to free health care services including primary care as well hospital treatment. Access to healthcare however is however limited by geographical inequalities that typically disadvantage the poor, including the Roma. For example only 72% of the 0-14 year old is looked after by a paediatrician – the rest receives general health care from a general practitioner. The lowest child/paediatrician ratio is measured in the most disadvantaged counties where concentration of the Roma is high (Egészségügyi Minisztérium 2005). Still, access to some form of health care is not a problem even for the poor. Difficulties however arise when medicines are needed: 42% of poor families cannot afford the necessary medications either for the children or for the parents themselves (Bass et al.2007).

Inheritance of poverty

Research suggests that the inheritance of social (dis)advantages did not only remain considerable after the political transformation in 1990, but – at least in the case of men – it has even strengthened (e.g. Bukodi 2002; Róbert-Bukodi 2004, Németh 2006).

Looking at occupational mobility in Hungary between 1992 and 2000, Bukodi estimates that the total mobility ratio⁷⁴ of men aged 20-69 fell from 72.2% to 65.8% during this period. The similar measure for women also decreased, although to a more moderate extent from 76.1% to 73.9%.

The ratio of inheritance increased in each occupational category but the skilled manuals. For example, 17.3% of men with an unskilled agricultural worker father were in the same category themselves in 2000 (15.6% in 1992) and 40.8% (as opposed to 34.7% in 1992) of men whose father was an unskilled worker in other sectors had a similar occupation in 2000.

Social mobility is seriously hindered by educational segregation and the general failure of the educational system to compensate for disadvantages in the family background. Analyses carried out on the PISA scores suggest that social background of pupils has a much stronger impact on the various competencies in Hungary than in most OECD countries (Róbert 2004, Lannert 2008).

The effect of family background is mostly mediated via the characteristics of the school. The impact of differences between schools is much stronger on pupils' achievement in Hungary than the OECD average, whereas the impact of within-school differences is below that (Balázs-Ostorics-Szalay 2007 cited by Lannert 2008). As a consequence of this and also other factors, parental status has a major influence on educational attainment. Gábos and Szivós (2008b) found that as much as 56% of young people whose mother had below upper secondary education remained in the same category themselves by the age of 19-30. At the same time, only 15% of those with a mother of upper secondary education and 8% of those with a mother of tertiary education completed less than upper secondary education.

Among the various social and demographic factors, parental education remains the most important determinant of educational achievement – but the effect of parental income is also significant. In particular, taking 80% of per capita median income as poverty threshold, 56% of the children with parents below this line remain low educated by the age of 19 to 30; 27% complete upper secondary education and 17% get a higher diploma. Corresponding ratios in the total population are 38, 32 and 30%.

1.2 Trends

In the early 1990s, relative poverty was increasing in Hungary, but the slope of the trend was steeper among children. The latter showed a sharp increase in the first half of the 1990s. This increase

⁷⁴ Calculation based on a 7*7 occupational mobility table between fathers and sons/daughters. The analyses were carried out on various national surveys of the Central Statistical Office. To establish parental occupation, retrospective data was used and occupational categories were derived from the Erikson-Goldthorpe-Portocarrero scheme.

was coupled with an opposite trend among the elderly who were seriously threatened by poverty after the political transition. From the second half of the 1990s however, the relative position of the elderly developed considerably and the new tendency of an increased risk of poverty among children appeared (Gábos-Szivós 2008a).

In the second half of the 1990s, the poverty rate of the 0-15 year old remained more or less stable. Between 2003 and 2005, a small but significant decrease was observed. After that, no more change was detected in 2007. Since data for each year considered are derived from studies of similar sample and methodology, we believe that the small improvement between 2003 and 2005 was a genuine one. In the lack of any substantial changes in poverty policy during these years, we attribute the change to the spontaneous effect of the slowly but steadily increasing level of real income per capita during this period in Hungary⁷⁵.

The decrease of poverty rate was most apparent among the youngest children. The rate of poverty fell from 19% to 15% among the 0-3 year old, and from 19% to 12% among children aged 4 to 9 between 2000 and 2007 according (Gábos, 2008). As a consequence, by 2007, higher risk was measured among teenagers than among young children. Concerning the number of children in the family, improvement could only be detected in families with 3+ children – the risk of poverty falling from 31.4 to 20.4%. This way, the relative disadvantage of children in large families was reduced, although it did not diminish.

All along this time, the risk of poverty among the 0-15 year old exceeded the average rate of poverty and (in 2005) it was even higher in the 0-17 age group. The gap between the 0-15 and the entire population rates was the smallest in 1991 (5%) and it reached its peak by 39% in 2003.

Meanwhile, the at risk poverty gap has been at a slow but steady increase, suggesting that it is becoming increasingly difficult to escape poverty. Unfortunately, no similar measure is published for children (table 1).

⁷⁵ Source: Central Statistical Office,

http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tab13_01_11i.html

Table 1. Trends of income poverty in Hungary 1992-2007**Poverty threshold calculated as the 60% of the national equivalised median income**

	1991	1996	2000	2003	2005	2007
Poverty rate 0-15	12.5	19.5	16.5	18.7	14.6	15.3
Poverty rate 0-17	n.a.	n.a.	n.a.	n.a.	15.9	n.a.
Poverty rate – All	11.9	14.2	12.9	13.5	12.0	12.6
Relative risk of poverty of children 0-15 to overall population	1.05	1.37	1.28	1.39	1.22	1.21
At risk poverty gap – All	15.0	16.8	19.1	18.9	22.0	n.a.

Source: Gábos-Szivós 2008a.

Data sources: for 1991 and 1996: TÁRKI Hungarian Household Panel; for 2000, 2003, 2005 and 2007 TÁRKI Household Monitor.

Unfortunately, there is no data available on child poverty for 2008 or 2009 and therefore we cannot tell how badly the economic crisis is affecting families in Hungary. Nevertheless, the situation is not good and experts and politicians alike are expecting serious consequences. Unemployment rate has reached 9.7% by the first quartile of 2009 – showing an increase of 1.7 percentage points compared to the same period of the previous year⁷⁶ and further increase is expected.

Beside unemployment, many families were also hit badly by radical and unfavourable changes in the exchange rates of the Hungarian Forint. Because of the popularity of loans (mainly housing loans) denominated in foreign exchange, the devaluation of the Hungarian Forint leads to a significant increase of the monthly instalments for many – threatening even by a loss of their properties.

Together with raising credit from the IMF and the EU, the (new) Hungarian Government reacted to the crisis by a series of restrictions to reduce government's expenditure. However, efforts have been made to concentrate negative consequences on the middle-classes and to protect members – especially children – of the lower strata as much as possible. Nevertheless, several recommendations and interventions with a possible impact also on the poor have been made. These include an increase of the Value Added Tax on most products from 20 to 25% from July 2009. But to ease burdens on the poor, goods considered as “necessary for survival” (milk and milk-based products, bread and bakery-products and also district heating) will have a reduced VAT of 18%. At the same time it was decided that – contrary to previous years – the nominal value of family allowance will not be increased in 2009 and 2010.

To counteract the negative effects of the crisis, other interventions have been designed to help families severely hit. A crisis-relief fund (currently with HUF 4 Billion – 14,023,770 Euros⁷⁷) was set up to provide one-time, non-refundable financial help for families that have lost at least 30% of their previous income or who have suffered an increase of their mortgages of 30% or more. As a further criterion, monthly income per person must not exceed the net minimum wage (HUF 57,817 – 203 Euros). The Parliament also accepted the institute of state-backed guarantee to those paying mortgage instalments. These persons can apply for a so called “bridging loan” to their bank to cover part of their instalment for at most 2 years. A state-guarantee is provided for at most 80% of this additional loan – meaning that in case the person would be unable to pay, the state takes over the responsibility. Another not yet well-developed proposal is to prevent extreme poverty in case of insolvency by allowing for personal bankruptcy.

⁷⁶ Source: Central Statistical Office

http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_evkozi/tabl2_01_02h.html

⁷⁷ All along this study, the average annual exchange rate from the Eurostat online database was used: (http://epp.eurostat.ec.europa.eu/portal/page/portal/exchange_rates/data/database). In the case of data relating to 2009, exchange rates are estimates, taken from the same source.

1.3 Absolute and extreme poverty

Summarising findings from various poverty studies, experts estimate that around 5 to 8% of the Hungarian population live in permanent and deep poverty. Although definitions vary, the situation described as such is typically characterised by multiplicity of deprivations, in some cases also including subjective poverty. On this basis, it is estimated that the number of children affected is around 150-200 thousands (Bass et. al. 2007). Although applying less strict criteria than it is common in the Hungarian studies, and therefore concluding at a higher ratio, calculations on the EU-SILC 2007 data suggest that multiple deprivations are more frequent in Hungary than in most European countries – especially among children. In particular, a combined form of material deprivation and income poverty among children was found to be almost twice as frequent in Hungary (14.46%) than the EU25 average (8.04%).

Working on the TÁRKI Household Monitor databases, Havasi (2006; 2008) also examines multiple forms of deprivation. She finds that both in 2005 and 2007, 8% of the population was suffering from all of the following five circumstances:

- ✓ - income poverty (living below the OECD poverty line);
- ✓ - unable to meet at least one of three basic needs (sufficient food, heating, utilities);
- ✓ - lacking all of the following basic equipments: automatic washing machine, microwave, freezer
- ✓ - poor living conditions according to at least one of the following three criteria: no WC in the property; serious problems (damp, wet, big noise) with the property according to the interviewee; serious problems with the property according to the interviewer;
- ✓ - subjective poverty: “live in needs” or “financial difficulties every month”.

In both years, regional, educational, ethnic and urbanisation factors, as well as the number of children were identified as the most important determinants of multiple poverty.

In 2005, 25% of those affected were living in Northern-Hungary, 23% in the Northern Great Plain region. One third lived in a small settlement (below 2,000 inhabitants) and 53% in a household where the head of the household is low educated. The increased risk of the Roma population was also established: in 2007, three out of ten Roma households belonged to the extremely poor. Based on other studies, Ladányi suggests that over one fourth of those suffering from extreme poverty belong to the Roma community (Ladányi 2007).

How children are affected by multiple deprivations was not the focus of Havasi's study. Nevertheless, it has been shown that in 2005, 28% of this group lived in a household with 3+ children – compared to a share of 10% in the entire population. Their increased risk however was due to their vulnerability to income poverty rather than to material poverty: they are not overrepresented among those suffering from the various sources of material deprivation. Also, the effect of living in a large family diminishes if a range of other factors are also taken into account. In their poverty-study, Bass and colleagues were unable to find any clear evidence of children being overrepresented among the extremely poor (2007). On the other hand, Ladányi (2007) suggests that extreme poverty follows different patterns in the Roma and the non-Roma population. He finds that among the Roma, families with children are the most severely affected, whereas extreme poverty is more prevalent among the elderly and the childless in the rest of the society.

Extreme poverty is long-term and very hard to leave in Hungary. Experts speak of permanent exclusion; permanent poverty, deep and permanent poverty (Ladányi 2007; Bass et al. 2007). Multiple deprivation is typically associated with long-term unemployment that is now being transmitted between generations. The increased risk of intergenerational transmission of deprivation in these groups is one of the major concerns today. As was described by Kertesi and Kézdi (2005), deep and long-term poverty of the Roma parents is more important than actual employment status or commuting costs in reducing their capacity to support their children's schooling over primary education.

Extreme poverty in Hungary has distinct geographical patterns. Unfortunately every piece of evidence points towards serious segregation and even ghettoisation – especially among the Roma. As it was said before, the socially deprived are strongly concentrated in the Northern regions of the country – that is, areas where heavy industry used to be a major source of employment during the state-socialism and therefore the lay-offs were the most severe at the time of the structural changes. Besides, regions with small villages close to the Southern and Eastern borders are also badly affected. All in all, extreme poverty (as well as poverty as it was shown before) is more a rural than an urban phenomenon in Hungary – although ghettos are not unknown in big cities and smaller towns either.

According to Ladányi, impoverished settlements follow one of the two different routes today: one is ageing and depopulation, the other is becoming an ethnic ghetto, with a rapidly growing population. Since these types of settlements are often in close proximity, a new tendency of entire (small-)regions turning into Roma ghettos seems now to have started (Ladányi 2007).

2. Impact and effectiveness of policies in place

2.1 Overall approach

There are four major policy areas in Hungary that can be considered as measures combating child poverty. With a large share of universal benefits directed specifically towards children and some more targeted allowances, income support is the most pronounced way of reducing the risk of poverty among children. Labour market policies – although rarely directed explicitly towards parents – also play an important role in reducing child poverty in the short-term as well as in combating poverty in the long run by improving employability of the poor. In-kind services form the third pillar of the system. Beside a wide range of free and universal services (health care, education...), some targeted in-kind benefits (school books, meals in school...) belong to this group. Finally, additional programmes, often initiated by the government and financed either from the central budget or from EU resources try to fill the gaps the first three pillars leave in the most critical areas such as education of the Roma, geographical segregation etc.

The four elements are sometimes difficult to separate. Eligibility for certain in-kind benefits is for example formally linked to the eligibility of a specific income-support (passport benefit). As a result of a recent change, regular social assistance on the other hand is only paid for those who are willing to participate in certain labour market programmes. Also, additional programmes might provide income support in one case and in-kind benefits in the other.

To improve coherence as well as effectiveness of social interventions against child-poverty, in 2005 the *Office for the Programme to Combat Child Poverty* (“Gyermekszegénység Elleni Nemzeti Programiroda”) was set up by the Prime Minister. By 2007, the National Strategy for 2007-2032 called “Making Things Better for our Children” was prepared and accepted by the government. The Programme defines combating child poverty as a main priority that has to be in focus in any political decision with a potential effect on families and children. It also provides an ambitious vision of a desirable path to follow and points towards some of the necessary steps to be taken. It identifies five main priorities such as increasing the employment rate; improving the system of financial benefits for families; better housing conditions for those in need; mitigation of educational segregation and provision of equal and high-quality childcare, early-development and education for all; improvement of personal social services and assist families with children together with improving child health.

According to the Programme, on each of these areas, priority should be given to the Roma, to disabled children as well as to the decrease of regional inequalities and also improvement of the major public services (e.g. education, health care etc.).

Targets set in this document are rather general (such as “poverty rate of families and children must decrease significantly – to a proportion of its current level”). Nevertheless, recommendations are made for defining more specific targets and also indicators for their measurement. This work is currently being carried out by members of the *Assessment Committee of the Programme* that was set up in 2008. Another agent, the *Office for the Opportunity of Children* (“Gyerekesély Iroda”), which was formed as part of the Hungarian Prime Minister’s Office is responsible for the coordination of the planning as well as of the realisation of measures and interventions initiated by any governmental Department that aims at reducing child-poverty.

Of course merely two years after the Programme was accepted no break-through in the field of child poverty can be detected. Although – as discussed later – several measures affecting child poverty have been launched, they do not necessarily correspond to the objectives set out in the National Programme. This can partly be attributed to the severe negative consequences of the economic crisis, which made some restrictions inevitable and also reduced the resources available. Nevertheless, staff of the Programme Office has been busy keeping the issue on the agenda by

commenting on the government's work, making recommendations and also criticising some of the decisions made⁷⁸.

At the moment it is impossible to assess whether any improvements towards the targets set in the National Programme has been made so far. This is not only because the targets and aims defined there are not yet made specific enough or because too little time has passed to achieve much improvement. Equally important is that in the majority of cases, there is no data available to accurately assess the effectiveness of the interventions.

2.2 Income support

Income support plays an important role in reducing child poverty in Hungary. Universal family benefits remain at the core of the system and they are also the most permanent elements. Universal supports are supplemented by several additional benefits (financial and also in-kind), that are specifically aimed at children in need. These have gone through some genuine reforms in the recent years. Although not directly intended for families with children, other social transfers (such as unemployment benefits and various forms of allowances) are also present in the household budget of the poor.

Family benefits

Family allowance (családi pótlék) is the most significant social transfer in most family budgets. On average, 9.1% of the total income of families with children came from family allowance in 2007 – and it reached 19.8% for households with 3+ children (Gábos 2008). Family allowance also takes a significant part of the central government budget: it accounted for 1.35% in 2007 (HUF 338.4 Billion – 1.346 Billion Euros). Generally, parents of children aged 18 and under (or up to 23 if they continue to study), receive a fixed monthly allowance to help them cover the expenses associated with childrearing. Typically, the sum paid is increased every year to follow the level of inflation. In 2006, the family allowance was merged with the former regular child protection benefit and this way, the amount of family allowance paid by child was almost doubled. Usually, an increased per-child sum was paid to families with more than one child, to single parents as well as to parents with disabled or permanently ill child. The differentiation however is not very marked. In 2009, HUF 12,200 (43 Euros) per month is paid per child in a two-parent family, HUF 13,700 (48 Euros) per child in a one-parent family, 16,000 HUF (56 Euros) per child in a family with three or more children if both parents are present and 17,000 HUF (60 Euros) per child if one parent is missing.

Following the economic crisis, it was decided this year that the amount of the family allowance will not be increased before 2011 and the maximum age for eligibility decreased to age 20. At the same time as from this year it was also made part of the tax base, which is expected to improve targeting efficiency to a significant extent.

The system of parental allowances is complex and rather generous. All parents are eligible for some of the various allowances until the 3rd birthday of their child – or even longer if they have more than two children or they are raising twins. In 2007, 13.7% of the total income of families with children aged 0-3 came from parental allowances (Gábos 2008). In 2007, 0.75% of the central budget was paid for parental leave.

Payments available for all irrespective of employment record include maternity allowance, childcare allowance (GYES) and childrearing support (GYET). Typically, because the short and often fragmented employment history of women in low-income families do not make them eligible for other parental benefits and because they often give birth to their first child at an early age, these are the forms of support poorer women tend to receive.

Bálint and Köllő (2007) calculate that around two third of the mothers with low education (at most primary school or vocational secondary) are paid the flat rate child care allowance rather than the insurance based one (Bálint and Köllő 2007).⁷⁹

Maternity allowance (anyasági segély) is a universal one-off support⁸⁰ paid within 180 days of birth. It amounts to 225% of the minimum old-age pension – in 2009 HUF 64,125 (225 Euros). Child

⁷⁸ See their website www.gyerekesely.hu for comments on the "Pathway to work" programme and other government initiatives.

⁷⁹ The proportion is around 40% among the more educated.

care allowance (gyermekgondozási segély - GYES) is a flat-rate sum paid monthly to non-insured parents (either the mother or the father with the same conditions) until the 3rd birthday of the child. GYES is also paid to insured parents who are on parental leave after the 2nd birthday of their child.⁸¹ It is equal to the minimum pension – that is HUF 28,500 (100 Euros) in 2009. The monthly sum of childrearing support (gyermeknevelési támogatás - GYET) equals that of GYES, but is paid for parents with at least 3 children until the youngest one reaches 8 years of age. Parents on child care allowance are allowed to work without restriction after the child turns one year of age.

Mothers who paid social insurance for at least 180 days within the two years preceding the birth of their child are eligible to pregnancy and confinement benefit (terhességi és gyermekágyi segély - TGYÁS) for 168 days. During this period 70% of the previous income is paid. After recipients exhaust TGYÁS, insured mothers or fathers are also eligible for child care fee (gyermekgondozási díj - GYED) until the 2nd birthday of their child. GYED also equals to 70% of the previous income but it can not exceed 70% of twice the minimum wage – HUF 100,100 (351 Euros) in 2009.

Supposedly a first step towards a gender-neutral labour-market policy, child care allowance (GYES) is now being reduced to a 2-year instead of a 3-year period⁸². How this will influence child poverty, will depend on the effect these changes will impose on the employment situation of women affected. By reducing the amount of time young mothers spend away from the labour market, their employability might improve because the loss of human capital will be smaller. On the other hand for many – especially those without any substantial work-experience – it will be necessary to provide efficient support towards their (re)integration to the labour market.

Social transfers related to unemployment and regular social benefit

Unemployment benefit (álláskeresési járadék) is paid to the previously employed for 73 to 270 days (depending on the number of insured days in the previous years). In the first half of this period the amount of the benefit is defined as the 60% of the average wage earned in the proceeding year, but it has to be between 60% and 120% of the minimum wage. In the second half of the period, 60% of the minimum wage is paid for all. A flat rate (40% of the minimum wage) unemployment aid (álláskeresési segély) is paid for 3 months for those who are not eligible for unemployment benefit or who have exhausted that. In 2008, 105,843 persons were receiving either form of the benefit⁸³.

After exhausting unemployment benefit as well as unemployment aid, unemployed persons are eligible to regular social assistance (rendszeres szociális segély). It is also paid to the sick and the disabled and others, whose eligibility criteria for other benefits (such as childcare allowance or childcare fee, disability pension etc.) have diminished. Regular social assistance is means-tested: the equivalent income in the household must not exceed a certain level⁸⁴.

A significant change from January 2009, following the introduction of the new “Pathway to work” programme is that recipients of regular social assistance (excluding the old and the sick) are required to take part in public employment programmes or if they previously did not complete primary education and are under age 35, they have to complete it within a limited period of time. Monthly amount of the aid is calculated as the difference between the family income-ceiling and the actual income in the household of the person supported but it must not exceed the net monthly minimum wage (HUF 57,815 – 203 Euros in 2009). At one time only one person per household can receive this benefit. In 2008, 152,058 persons received regular social assistance.

⁸⁰ It is effectively a lump sum birth grant but translated to “maternity allowance” in the official (Central Statistical Office) resources.

⁸¹ When child care fee – GYED is exhausted.

⁸² At the same time, preconditions of receiving pregnancy and confinement benefit (TGYÁS) or child care fee (GYED) are to become stricter. The current 180 days of paid work before birth that ensures eligibility for TGYÁS and GYED is to be changed to 360 days to minimise the currently available abuse of the system. New regulations will only be affective for children born after 30 April 2010.

⁸³ Source: Central Statistical Office.

⁸⁴ Equivalent income calculated according to a specific equivalence scale (first adult in the household: 1.0; second adult: 0.9; any other adult: 0.8; first and second child: 0.8; any other child: 0.7) must not exceed 90% of the minimum old-age pension (HUF 25,650 or 102.4 Euros in 2008). Taking the composition of the household into account was a new improvement in 2006. This way regular social aid was transformed into a form of family-support. Experts of the Child-Poverty Office claim that this change from a regime that did not take number of dependants into account has lead to significant positive effects on child-poverty (Bass et al. 2008).

Other forms of income support

Family-related transfers and benefits paid to the unemployed are complemented by other regular and irregular benefits, which are aimed at more serious or more specific difficulties – paid either by the local government or from the central budget. Those directed towards children are regular child protection allowance, extraordinary child benefit and complementary child protection benefit⁸⁵.

Regular child protection allowance (rendszeres gyermekvédelmi kedvezmény) is paid to children in low-income families (income per capita does not exceed 135% of the minimum pension – HUF 35,625 or 125 Euros in 2009) provided that the family's possessions are also below a certain threshold. The regular child protection allowance involves only limited financial support (HUF 5,800 or 20 Euros per child twice a year), but it is a passport-type benefit that establishes the entitlement for a series of in-kind benefits, such as supported meals, free school-books and others. Recipients of the allowance were 489,966 children in 2007.

Extraordinary child protection benefit (rendkívüli gyermekvédelmi támogatás) can be provided in case of serious temporary difficulties – eligibility and other details are regulated by local government and provision is based on individual assessment. In 2007, 176,605 children received cash-support this way and in 54,473 cases, in-kind support was provided. Amount paid per capita was HUF 10,350 or 41 Euros on average. Complementary child protection benefit (kiegészítő gyermekvédelmi támogatás) is paid to the retired guardian of the child who is eligible for regular child protection allowance.

Among other social transfers not directly aimed at children, the most important ones include temporary assistance, home maintenance support and support towards heating costs. Local government can decide about providing temporary assistance (átmeneti segély) for families or individuals in extraordinary situations when basic needs are threatened. In 2007, temporary assistance was provided to 449,252 persons. On average, HUF 11,214 (45 Euros) per capita was paid in cash and the average value of in-kind support provided was HUF 6,078 (24 Euros). There are two types of home maintenance support available for families who have difficulties paying their housing costs. Normative housing support is paid if the income per capita does not exceed 150% of the minimum old age pensions (HUF 42,750 or 150 Euros) and the costs of housing exceed 20% of household income. Criteria for local home maintenance support are defined by the local government. For support towards heating-costs (gas or district-heating - gázártámogatás) eligibility-criteria is income-based: equivalent income in the household must not exceed 350% of the minimum old-age pension (HUF 99,750 or 350 Euros in 2009). The amount of support depends both on the income level and the costs of heating⁸⁶.

Table 2. Summary table for the main forms of income support in Hungary, 2009

Family benefits	Other social transfers ⁸⁷
Family allowance	Unemployment benefits:
Parental allowances	- unemployment benefit
- Maternity allowance	- unemployment aid
- Child care allowance (GYES)	Regular social assistance
- Childrearing support (GYET)	Temporary assistance
- Pregnancy and confinement benefit (TGYÁS)	Housing support:
- Child care fee (GYED)	- normative housing support
Regular child protection allowance	- local home maintenance support
Extraordinary child protection benefit	- support towards heating costs
Complementary child protection benefit	Funeral support
	Nursing allowance

⁸⁵ Further social transfers aimed at families with children that are not listed here include benefits and allowances paid after permanently ill or disabled children.

⁸⁶ Other social transfers not related to children are funeral support and nursing allowance.

⁸⁷ Retirement-type benefits and old-age allowance are not included.

The impact of social benefits on child poverty

Although elementary EU-SILC 2007 data on child-poverty look consistent with national sources, some specific measures concerning policy impact do not. In particular, the role of transfers within household income is much higher according to EU-SILC 2007 than it is suggested by national surveys. In the EU-SILC, 22.8% of total household income in families with children seems to come from family benefits, whereas the corresponding figure in the Household Monitor is as low as 13.8% (Gábos 2008).

Different methodology applied for enquiring about incomes⁸⁸ might partly explain the differences but it is surely not responsible for all of them. Although there is no comparable Monitor data provided on the share of total social transfers on the basis of the former finding we can expect that the 31.2% shown by EU-SILC 2007 is again above what we would find in national data sources.

With such a big unexplained discrepancy between the resources available we are unfortunately not in the position to give an account of the “real” extent of neither the role of transfers nor of their impact on poverty. It is only some general tendencies that we comment on the basis of these resources. First of all, it seems clear that social transfers but especially family-related transfers account for a larger share of household incomes in Hungary than they do in the EU25 on average. Poverty reduction impact of social transfers is again likely to exceed the EU average – although maybe not to the extent that is suggested by EU-SILC. According to these measures, the impact of family-related benefits is 40% whereas that of all social transfers is 58% - both figures exceed the average.

The relative importance of family-related transfers in the household budgets in Hungary can largely be attributed to the increase in the family allowance since January 2006. The exceptionally high share of family benefits in 3+ children households (41.4% according to EU-SILC and 28.2% according to Gábos 2008) and also the transfer distribution index in this group (1.81 by EU-SILC) is reflecting this and also the role of child raising support available for families with 3 or more children. On the other hand, data show that little preference is given to one-parent families in the Hungarian system: the transfer distribution index is as little as 0.73 in this category and the poverty reduction impact remains below the average, too.

Although Hungary fares relatively well in international comparison, national studies point out specific weaknesses of the system. Experts generally agree that family allowance (despite being a universal benefit) is comparatively efficient in reducing poverty. In their analysis, based on micro simulation, Benedek and Scharle for example show that in 2006, around 45% of the total average household income in the lowest decile and 25% in the second decile came from family allowance (2006). Gábos calculated the corresponding ratio according to the number of children in the family and found that 19.8% of the total income in families with 3+ children came from this source in 2007 (Gábos 2008). He also found that in 2007 25.1% of the amount paid towards family allowances was paid to the poorest one fifth of the society and only 14% to the richest one. Havasi shows that family allowance is the single most important social transfer among the most deprived 8% (2008). Despite these positive findings, universal family allowance remains a very expensive way of helping the poor. Making it part of the tax base is certainly an important step in improving the accuracy of its targeting. Further improvements could however be achieved by making the differentiation more pronounced for the advantage of large families (especially 4+ children families) as well as one-parent families even at the expenses of other family-types, such as two-parent families with one child.

Taking family allowance together with the tax-allowance of the families and also the support towards heating costs, Benedek and Scharle (2006) find that only 40% of all these benefits are paid to the poorest 30% of the households. At the same time, almost 25% of all the supports end up in families at the upper third of the income distribution. The authors argue that the lack of (substantial) means-tested benefits is responsible for this together with the regulations of heating-cost support and family tax-allowance which are both inaccurately targeted. Supports paid towards the heating costs are concentrated in the upper deciles – partly because in larger properties more gas is consumed and partly because in many poor households other means than gas and district-heating (e.g. wood or coal) are used for heating. Also, families in poverty cannot benefit from the family tax-allowance since their income is too low to pay tax.

As discussed above, low-income families are likely to be eligible for the more restricted, flat-rate parental allowances only. For this reason, not a high proportion of the overall sum paid towards parental allowances is concentrated in low-income families. In 2007, 20% of parental allowances were paid to the poorest 20% of the households. Nevertheless, even the flat-rate parental allowances are

⁸⁸ In EU-SILC, respondents are asked to report about their gross income and the amount of tax they are paying, whereas in national surveys net income is measured directly.

efficient in reducing poverty. In line with EU-SILC results, Gábos also finds that the poverty reduction effect of these benefits is the greatest among the 0-3 year old, where parental allowances add to the family allowance (Gábos 2008). This finding also points towards the need for carefully assessing the possible effects of shortening the period of childrearing benefit.

Considering the major effect unemployment and other forms of inactivity have on the risk of child poverty in Hungary, it is essential also from a child poverty perspective that benefits related to unemployment and other labour market measures efficiently promote employability of the targeted groups – this way contributing to the mitigation of poverty. The efficiency of the various unemployment benefits in promoting exit of unemployment however is not very good: job-search activity of the beneficiaries is low, exit towards employment is rare and long-term unemployment remains widespread in Hungary. Shortages of the system include weak incentives to job-search, low level of cooperation between the offices of public employment services and the beneficiaries and a too short period of provision. Also, services provided at the offices often remain very formal, restricted to the administrative duties without any personal support (e.g. Scharle 2008).

Linking the provision of regular social assistance to obligatory participation in public employment in January 2009 was also intended to promote (re-)integration into the labour market. The programme however raises serious concerns. One strong counter-argument is that despite strong research evidence (mostly international ones) to the contrary, the programme assumes that public work increases the employability of participants. Although there are some opportunities opening up for local governments to apply for funds towards non-labour costs of public employment programmes, it is still not clear whether they will have resources to initiate programmes that offer jobs beyond the simplest manual work. The problem with this type of work is not only that they maximise the effect of stigma but they also minimise the skills acquired during public employment. Even worse is if local governments find themselves incapable to develop any programme. According to the law, in such a case it is not governments, but individuals that are to be punished. If they do not take on public employment, their benefit will be denied. Such a punishment is especially controversial, considering that as from 2006 regular social benefit is paid according to the needs of the household – which made the benefit a form of family-support. Therefore if the benefit is denied either for the recipient's or for the local government's fault, not only the beneficiary himself (herself) but also his/her family and children will suffer.

2.3 Access to the labour market and income from employment

Low level of employment is a serious problem in Hungary, and efforts to tackle it are increasing. As young mothers' inactivity is a major source of low employment, growing attention is being paid towards this particular issue. Although mothers' inactivity is not a significant source of child poverty as long as she is on childcare leave, their difficulties to reintegrate the labour market later are problematic also from this respect – especially as the number of mothers with no previous employment record is increasing (Bálint-Köllő 2007).

Among active labour market policies, the “Pathway towards work” programme has been covered in the previous section. Another important new initiative is the Start Plus Programme launched in July 2007. A “Start Plus Card” can be requested by persons who wish to return to work within one year of obtaining child care benefits or carer's allowance; persons receiving child care allowance and taking up work after the first birthday of the child (provided they are not employed) and also by long-term jobseekers who have been registered for 12 of the previous 16 months. Employers hiring workers with such a card are entitled to discounts from the employers' social security contribution for two years⁸⁹. Between July 2007 and March 2009 altogether 23,080 Start Plus card were provided. There is however no information available about the effectiveness of their application.

Flexible working arrangements that would contribute to a better balance between work and family life are rare in Hungary and only sporadic efforts are being made to improve the situation⁹⁰. Unfortunately, flexibility – in terms of shorter working hours or temporary employment – is often

⁸⁹ In particular they are exempt from the fixed-sum health care contribution (1,950 Forints/month), and the rate of their contribution on the gross wage they have to pay is 15% in the first year and 25% in the second year instead of the statutory 32% payable by employers.

⁹⁰ One example is the “Family-friendly workplace” award.

associated with illegal work, which accounts for 13-22% of total employment (depending on the estimation technique) (Sik 2008). In the formal labour market, only 5.6% of women and 3.3% of men worked part-time in 2008⁹¹. Following the economic crisis, the Hungarian Government decided to use part of the Labour-Market Crisis Fund for supporting employers who avoid layoffs by offering part-time work for their full-time working employees. This however cannot be considered as a step towards improving flexibility for employees. According to another and more promising proposal following the shortening of the period of childcare leave to 2 years, public employers should be obliged to offer part-time job to mothers returning to work.

The issue of childcare arrangements is constantly on the agenda in Hungary today. Together with deciding to shorten the parental leave from three to two years the Government has announced to increase the number of places in childcare institutions for the 0-3 year olds by 16,000 before 2012. This is planned to be achieved by using EU support to build new nurseries as well as to expand existing ones; by allowing for larger groups (12 children instead of 10) and also by allowing 2 year olds to attend kindergartens instead of nurseries. Furthermore, efforts have been taken to support alternative day-cares by making their regulations easier to meet. Indeed, such a large-scale increase of available places is necessary, given that mothers of children born after May 2010 will only receive child care benefit until their 2nd birthday. Currently the ratio of children in the 2-3 age group who attend nursery is around 16% and the vast majority of mothers stay at home with their child until their 3rd birthday (Bálint and Köllő 2007). As the aim is to ensure child care for all children between 2 and 3 who need it, equal availability for all is not considered as a separate issue. Kindergartens in Hungary provide full-time day-care service from age 3 to school-age (year 6-7) and produce a good institutional coverage for this age group. However problems of unequal access are present. The majority of kindergartens is maintained by local governments and provides free services. Parents have to contribute towards food costs only, while children eligible for regular child protection allowance are exempt from this. As from 2009 on, kindergarten support is paid to children eligible for regular childcare benefit if they enter kindergarten before the age of 4 and whose parents completed primary education only. The sum of kindergarten support is HUF 20,000 (77 Euros) a year.

Ensuring adequate income from work

There are no particular measures concerning income that would differentiate between parents and others at the workplace, nor is there a tendency to strengthen policy in this area. The only exception is that families with three or more children can take advantage of the family tax-allowance which is HUF 4,000 (14 Euros) per child per year – provided that the yearly income of the parent does not exceed HUF 6M (21,036 Euros). Benedek and Scharle (2006) however show that the major beneficiaries of the family-tax-allowance system are families in the 3rd income-decile and also families at the top of the income-distribution.

In Hungary there is a system of minimum wage. In 2009, its gross monthly value is HUF 71,500 (251 Euros). Whether this amount is high or low is hard to judge since different considerations lead to markedly different conclusions. In 2008, the ratio of minimum wage to average earnings was 0.35 (= HUF 69,000/HUF 198,942) which is not too high in a European standard. Labour economists however agree that the current level of minimum wage increases the cost of the unskilled workforce far above productivity (which is very low), and therefore substantially decreases the demand for low-skilled employers. This in turn contributes to unemployment and inactivity as well as the sustainment of the illegal labour market (e.g. Scharle 2008; Köllő 2009) – all of which are significant factors of reproducing poverty. On the other hand, if we consider minimum wage in comparison to the existing social transfers, we find that their current relation might serve as a disincentive to work. According to the calculations of Kátay and colleagues (2009), in a two-parent family with three or more children and one inactive parent a very similar per capita income can be achieved if the other parent is working and paid a minimum wage or if he or she is receiving regular social benefit instead. The difference is also very small when there are two children in the family.

⁹¹ Own calculations based on LFS data; age group 15-64.
http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tab12_01_07i.html

2.4 Access to enabling services

Two policy areas, housing and education in relation to child poverty are discussed here. They were chosen because of the severe problems in both areas and the comparatively big efforts made in the recent years to tackle the situation.

Housing and environment

Housing market in Hungary is dominated by privately owned dwellings: in 2005 they accounted for 96% of all properties and 85% were also owner-occupied⁹². These measures are well above the European average and provide (at least partial) explanation to the high prevalence of low-quality or even sub-standard properties.

In 2009, 13.5% of the homes had no toilet inside the property and there was no plumbing in 8.6%⁹³. Considering the lack of a toilet inside the dwelling together with serious problems with the property mentioned by the interviewer and serious problems with the property mentioned by the interviewee (either of the three), Havasi (2008) finds that 15% of the overall population and 29% of the income-poor is living in poor housing conditions.

Sub-standard properties are usually concentrated in poor and segregated neighbourhoods both in urban and in rural areas. As was said before, geographical segregation is most often also combined with ethnic segregation of the Roma. Research however suggests that housing conditions of poor households with children are no worse and no better than housing conditions of poor childless households (Darvas-Tausz 2007).

To improve the overall situation, loans with subsidized interest rate have been made available for modernizing the properties (e.g. introducing plumbing, electricity, gas or building a bathroom but also insulation of the property or applying renewable energies). The extent of subsidy accounts to 40% of the yield of government bonds but of course to benefit from the opportunity it is necessary to have the financial stability to cover down payment and pay for the mortgages. This element of the current housing policy is to be left mostly untouched even by the massive changes in the system introduced in 2009⁹⁴. In 2008, HUF 41,213 thousand (163.9 thousand Euros) was paid towards this aim. Little is however known about the contribution this measure has made towards reducing the share of substandard dwellings.

Other programmes are focusing on substandard housing concentrated in Roma-ghettos. Between 2005 and 2007, HUF 3 Billion (11,935,500 Euros) was spent on so-called "slum-elimination programmes" and another HUF 880 Million (3.5 Million Euros) was awarded to the applying municipalities last year. (HUF 1 Billion – 3,505,500 Euros – targeted for 2009 has been detained as a reaction to the economic crisis.) These programmes are intended to help the integration of the Roma together with improving their housing conditions. This latter aim is to be achieved either by reconstructing their current homes or by offering them alternative properties. The programme is of varying success. Although housing conditions do indeed improve in most cases, little is done to change the segregation of the families involved.

As we have seen in the previous sections, there are various measures in place that intend to provide financial assistance for people to keep their homes. These include normative and also local home maintenance support as well as price-subsidies towards the heating costs. However, the effectiveness of these measures is limited. Experts had claimed that around 10% of the families in Hungary had had serious difficulties covering their housing costs and had therefore been at risk of losing their homes already before the crisis started (Hegedűs et al. 2008).

Following the economic crisis when severely increased mortgages added to the burden of many families, estimates in the media concerning the number of those threatened reached 1.5M people. Although hard evidence on the real scale of the problem is difficult to find, eviction of people and even families with children for indebtedness is not unknown in Hungary. Among the measures to mitigate the negative consequences of the crisis, the crisis-relief fund as well as the institute of state-backed guarantee to those paying mortgage instalments are designed to provide help to those who are facing serious difficulties to pay for their (increased) mortgages. Also, as from October 2009 local

⁹² Source: Central Statistical Office. http://www.mikrocensus.hu/mc2005_hun/kotetek/01/tables/load1_4_1.html

⁹³ Source: Central Statistical Office.

⁹⁴ Except that the extent of the subsidy will now uniformly be linked to the yield of the government bonds rather than to either the yield of the government bonds or a "reference" yield defined on a different way.

governments will have the right of pre-emption when properties are sold because of the owner's indebtedness. Properties purchased by the local government this way will then have to be hired out to the former owner.

Although there are significant variations between the recommendations made by the various expert groups regarding a long-term housing policy, they all include the substantial increase of the number of subsidized rental housing. This sector accounts only for 3-4% of the overall number of dwellings at the moment – a ratio that should reach 8-10% within the next 10-15 years according to a detailed proposal on housing policy in order to help low-income groups that cannot afford properties on their own.

The same report also recommends the integration of the fragmented system of housing supports into one efficient form of housing allowance. This should cover about 20-25% of the housing costs in the low-income households in order to efficiently prevent serious indebtedness. The third recommendation is to ensure a new, flexible form of housing that would serve as a transitional form between institutional solutions and subsidized rental housing. Finally, it is suggested that the current system of supports provided towards purchasing, building or renovating privately owned properties should radically be changed. Instead, low-income households should be supported in a more targeted way, and also the elimination of segregated slums should be hastened (Hegedűs et. al. 2008).

Education and training

The Hungarian education system suffers from severe problems. Results of international assessment of skills and competencies in the adult population (IALS) as well as among school-children (PISA) are disappointing. The extremely low employability of those with primary or even vocational secondary education is also a warning sign. Reflecting these problems in 2007 a *National Round Table of Education and the Opportunity for Children* was launched by the Prime Minister. By the end of 2008, experts of the Round Table produced a “*Green Book for the Renewal of Public Education in Hungary*⁹⁵” – a throughout diagnosis of the present situation together with a detailed and comprehensive programme for its improvement. Incapability of the educational system to mitigate social inequalities was identified as one of the major factors leading to the poor achievement of the sector. The individual areas covered in the programme range from the improvement of teacher-training and reimbursement of the pedagogues to the amendment of the curricula as well as the expansion of evaluation and assessment of the pupils. The authors emphasize that results can only be achieved if recommendations are considered and also introduced simultaneously⁹⁶.

Only partially following the pathway set out in the Green Book in 2008 the Government announced the “*New Knowledge*” programme. Increasing the share of education within the central budget “*New Knowledge*” tries to improve public education through new interventions as well as by integrating existing ones.

Concerning measures relating to equal opportunities, in the field of early education two new initiatives have already been mentioned in this report. One is Kindergarten-support – introduced this year – that is paid to disadvantaged children who enter kindergarten before the age of four. The massive increase of the number of day-care places for the 0 to 3 year old, which is planned to be taking place by 2012 can also be considered as a step towards equal access to early education – provided that the full coverage for the 2-3 year old group will be achieved and that places will be equally available for all.

A new regulation that makes the integration of kindergartens and nurseries possible is pointing towards this direction – this might improve the availability of day-care for the youngest ones in small settlements that could not efficiently maintain a separate nursery. Although not part of the “*New*

⁹⁵ http://oktatas.magyarorszagholnap.hu/wiki/Green_Book

⁹⁶ Recommendations that are directly intended to increase equality and combat segregation are worthwhile to look at, since they adequately reflect the problems and dilemmas as well as the main topics of dispute in the field: “Improve identification procedure of children of poor and uneducated parents; give kindergarten access for children of poor and uneducated parents from the age of three; decrease segregation at school entry; decrease all forms of segregation in multi-school settlements and in schools with more than one class in each grade; restrict the practice of subsidising enrolment from outside school district from public funds; reform teacher pay schemes, introduce performance related pay, introduce salary supplements to reward special achievements and extra challenges; define clear regulations concerning the conditions of closing small schools and primary schools with only four grades; prepare trainee teachers for teaching children of poor and uneducated parents; implement complex programmes in underdeveloped and segregated areas; set the rules of subsidising with regard to equality” (Green Book).

Knowledge Programme” the Hungarian Sure Start programme that is similar to the British model (started in 2007) is inevitably one of the most important initiatives in the field of early education. Following the current phase of tendering, this year around 40 local Sure Start Centres are planned to be opened in the most disadvantaged regions in Hungary followed by another 110 by 2013. These centres will provide free services for parents of young children (aged 0-5) offering professional support for the parents as well as their children in order to promote child-development.

Recent anti-segregation policies in education include the reform of the school-district system as well as the continuing improvement of the integration-support system in schools. By the end of 2008, administrative (primary) school districts had to be modified by local governments to ensure that in neither of the districts within one settlement does the proportion of children with multiple disadvantages exceed their average ratio in the settlement by more than 15%. Schools are now forced to take in any children who live in their school-district. If places remain, other applicants with multiple disadvantages who live in the settlement should be given priority. Should the number of applicants exceed the number of places remaining, decision has to be made by a lottery. Systematic evidence is missing, but information available suggests that both middle-class parents and prestigious institutions have been able to find efficient strategies to avoid unfavourable consequences of this reform (Bass et al. 2008).

Another important anti-segregation measure in the educational system is the integration support system – first introduced in 2003. Regulations have changed several times since then, although the basic principle remained untouched: subsidy is provided to maintainers of schools (and later also kindergartens) that develop a balanced share of disadvantaged (often Roma) children⁹⁷ and other children within the classes. Participating (“integrated”) schools are also required to provide additional pedagogic help to disadvantaged pupils – following a general frame provided. The amount paid for the successful applicants in 2009 is HUF 61,500 (216 Euros) per disadvantaged student per year. Beside other costs, institutions can also apply for wage-subsidies for their employees who work with such children. In 2008, around 45,000 students and 10,000 children in kindergartens participated in the programme.

There are several scholarship-programmes aiming at talented but disadvantaged pupils at the various levels of the education system. The equal opportunity pillar of the “útravaló” (“something for the path”) scholarship and mentor programme intends to increase multiple disadvantaged pupils’ participation as well as their successful graduation in secondary education (vocational as well as non-vocational). The number of participating students was 19,695 in 2008. The Arany János Programme is aiming at preparing disadvantaged students for higher education. Throughout a five year period, participating students are provided additional classes and trainings as well as other programmes aimed at improving their skills and competencies. The number of places available in this programme was 615 in 2009. Mostly Roma students are involved in the local “Tanoda” (“a place to study”) initiatives that can apply for governmental and EU funds to provide complementary educational services for their clients. As part of the “New Knowledge Programme” the National Talent Programme was launched in 2008. Within this frame, existing programmes are planned to be integrated and also new ones introduced. Between 2008 and 2011, HUF 3.7 Billion (1,471,100 Euros) is intended at this initiative. Finally – although not specifically aimed at disadvantaged students – state-supported students loans have been made available for higher-education students.

Despite the high number of programmes, the relatively long history of some of them as well as the significant public investments made, little is known about the actual impact they are having on helping disadvantaged children succeed. In most cases, there are only basic information (such as the number of participants, costs etc.) available, that are too elementary to judge the effectiveness of the programmes. Even when some form of research has been carried out (e.g. in the case of the Arany János programme), no effort has been made to produce data necessary to an up-to-date impact-study. An important exception is the impact study of an early form of the integration support programme (Kézdi-Surányi 2008) that found several positive child-outcomes associated with the integration of the disadvantaged students – but only if it was coupled with high quality pedagogy. Other experts on the other hand claim that the additional subsidies provided for the participation in the integration programme are insufficient to compensate for the inequalities linked to the unequal income of the municipalities and could hardly cover the institutions’ additional costs associated with their participation in the programme (Varga 2008). Among the more recent initiatives, the Sure Start Programme is

⁹⁷ Disadvantaged children: children eligible for regular child protection benefit.

Children with multiple disadvantages: children eligible for regular child protection benefit provided that their parents have no more than primary education.

planned to include a carefully designed impact study. Concerning however the proceedings so far in this Programme, concerns have already been raised about the clarity of the objectives as well as the lack of necessary consensus among the partners involved (Bass et.al.2008)

3. Conclusions

Taking a big and important step forward, the National Programme to Combat Child Poverty accepted by the government in 2007 duly points out that “*reducing child poverty must receive special emphasis. The sufferings and disadvantages of children must be alleviated as quickly as possible, for children are the most vulnerable members of society*”.

Based on this basic principle, the programme provides an excellent starting point to an integrated policy in the field. Similarly, the Green Book of education offers a comprehensive programme for the fight against a major vehicle of inheritance of poverty: educational inequality. Also when looking at the range of initiatives of the recent years in the related areas one might have the impression that considerable steps have been taken to meet the numerous challenges. It also seems reassuring that poverty rate of children has been relatively stable (and even decreasing a bit) since the beginning of this decade in Hungary and the proportion of the multiply disadvantaged has remained unchanged. It is very likely that – despite its weaknesses – anti-poverty policy has made some contribution to prevent further worsening of the situation.

At the same time, however, the poverty gap has been increasing and the prevalence of social exclusion among children remains high. Geographical segregation coupled with long-term exclusion from the labour market continues to reproduce hopelessness in many households. Institutions of social mobility are unable to save children from the long-term consequences of their parents’ poverty. Furthermore (although we cannot fully assess its consequences), the current economic crisis is bound to impose even more difficulties on families and children within them. At the same time, it also restricts the resources available for improving the situation. All in all, the combat against child poverty is likely to become even more challenging in the coming years.

Among such circumstances, it seems inevitable to improve the accuracy of targeting social benefits. Making family allowance part of the tax base this year is already an important step on this path. Further desirable changes would be to increase the extent of differentiation of the amount paid by type of household. In particular, preference given to families with 4+ children and to one-parent families should be strengthened significantly – possibly even at the cost of families with one or two children. Although driven by different intentions, the shortening of the universal parental leave might also be considered as an intervention serving better targeting of the allowances. In this case however the other side of the coin is missing: low-income families need to be compensated if mothers find themselves unable to (re)integrate to the labour market after their child turns two years of age. Beside these positive examples however other programmes planned by the government either seem to completely neglect the criteria of targeting the low-income households (such as price support through a decreased VAT) or only partially take this into account (new system of supports paid towards purchasing properties).

The National Programme “*Making Things Better for our Children*” also emphasized the importance of the cooperation between the various decision making bodies and of working towards a coherent set of interventions in the field. Despite these intentions, a serious lack of coherence of the programmes in the interrelated areas remains. In fact conflicting interventions in some cases are suggesting the lack of a clear and focused vision of a desirable direction to follow. An important example is the series of contradictions between labour market policies and anti-poverty measures. As we have pointed out earlier the “*Pathway to work*” programme has been designed without taking the potential effects of benefit-withdrawal on household-income into account. Similarly, the minimum wage plays a contradictory role by increasing labour costs associated with the low educated work force on the one hand and serving as a disincentive to work on the other. Incoherent measures like these should be reconsidered.

Although the lack of coherence between the interrelated policy areas is present also in other dimensions, employment – together with education – is an area of key importance in combating child poverty in the longer term. Low level of employment (of the parents) is a major determinant of persisting child-poverty and is in fact the source also of a series of other social and economic problems in Hungary.

Primary education and even vocational education leaves people with poor or even missing skills and competencies which lead to very low level of employability. Many of the low educated never

enter the labour market while others find no way back to it once they left. Exclusion from the labour market together with very low cognitive skills of the parents is a key factor of the intergenerational transmission of social disadvantages – a process that schools are not capable to overcome. Problems are complex and even when the necessary measures are identified and a political consensus achieved, they are not possible to overcome in the short- but possibly not even in the medium-term.

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Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

Poland

Irena Wóycicka

Gdansk Institute for Market Economics

woycicka@ibngr.edu.pl

1. The nature of child poverty and the underlying factors

1.1 The children affected and the underlying factors

EU- SILC data confirm previous results from national statistics, which indicate that children and young people in Poland are particularly exposed to the risk of poverty. According to EU-SILC data for 2007, 24% of children and young people in Poland in 2006 were exposed to the risk of poverty, with this defined as having income below 60% of the median. Poland is one of the EU countries where the poverty rate of households with children is higher than for the population as a whole. This applies to all types of household with children except those with only one child.

Although Poland also has a high poverty rate for total population, this does not explain the high proportion of children at risk of poverty. The difference between the risk of poverty for children and that of the population aged 18 and over is much wider than the average for the EU-25. Moreover, differences in income between households with children are greater than for the population as a whole. This indicates not only that households with children are more exposed to the risk of poverty than those without children but that among households with children there are factors leading to marked differences in their income.

As is evident from statistical analysis, demographic factors such as age of the child or the age of parents are not significantly correlated with the risk of poverty among children (though children of parents aged less than 35 have a slightly above average risk). There are significant differences, however, in the risk of poverty between different types of household. The risk for those in large families of three or more children is over 1.5 higher than the average for all children. In total, children in such households make up 27% all children at risk of poverty. Children with lone parents are slightly more exposed to the risk of poverty than those in large families, but these are much less numerous as compared with the latter (accounting for only some 9% of all children at risk).

The education level of parents is of major significance as a factor underlying the risk of poverty. The risk is doubled for children of parents who have only a low level of education (i.e. no more than basic schooling). More than one-fifth of children at risk live in families, in which the father and/or the mother have only this level of education. More than 40% of children live in households where the parents have little education (primary or lower secondary), which is the highest in the EU. This is due to the growing importance of educational attainment levels on the labour market. A low level of educational attainment in Poland is linked with a high probability of inactivity or unemployment or employment in a low paid job. Research shows that education is the most important factor that affects the occupation of both women and men in Poland (Sztanderska, Grotkowska 2007). According the OECD (OECD 2008), Poland is characterised by a very high unemployment rate among people with low education (77% in 2006).

The link between level of education and increased risk of poverty is particularly significant among single parents and couples with three or more children. This is because in these types of family the parents have on average lower education levels than in the total population (Woycicka 2007). These findings are supported by the results of research on lone parents in Poland, which shows that single parenthood is strongly related to a fairly substantial risk of educational disadvantage (Trifiletti 2007).

In addition, children living in households with low work intensity face much more risk than other children. More than 40% of children at risk live in households where work intensity is less than 0.5. In jobless households the risk of poverty is more than twice the average for all children. At the same time, 13% of children at risk are in households in which work intensity is equal to 1 (those in which both parents are in full time employment).

A specific trait of poverty among children in Poland is that it applies mostly to those living in rural areas. The risk of poverty is more than 1.2 higher than the average for all children (62% of children at risk live in thinly populated areas). Only 23% of children at risk live in highly urbanised areas. In these areas, however, it is often the case that low income is combined with a deprived social environment (Warzywoda-Kruszyńska 2005).

The characteristics of children at risk of poverty in Poland are not dramatically different from the average characteristics in the EU. Compared with the EU average, the risk of poverty differs according to the type of family: those at relatively high risk as compared with the EU average are children in large families (which also make up a relatively high percentage of children at risk), while a lower risk applies to single parents (which also represent relatively fewer children). In Poland the importance of low work intensity of households and of joblessness parents as factors of poverty among children is lower than in other Member States.

As indicated above, a significant factor contributing to child-poverty is unemployment of the parents. The probability of children in jobless households being at risk is 29%, while for single-parent households, it is 23%. However, there is also a high probability of poverty in households where either one or both parents work part-time.

In this context it is relevant to explore the link between the economic inactivity of mothers who give up work in order to take care of their children and the risk of poverty among children. Even though so far there is a lack of in-depth analyses of the link between the way childcare is organised and low levels of household income in Poland, there is a confirmation of the link between low labour market activity of women and their family responsibilities. As shown by national studies, cultural factors (embracing the traditional family model in the context of employment and family care) and structural factors (mainly lack of access to childcare and the possibilities available as regards maternity leave) lead to long-term withdrawal from the labour market of a significant proportion of women after having a child (Sztanderska, Grotkowska 2007).

This is confirmed by results of statistical analysis. According to the EU_SILC, the employment of women (aged 25-49) with the youngest child under of 3 is less than half the rate of employment of women without children when they are single and less than a quarter when they are married. Among women with a child aged 3-5, the respective percentages are 34% and 14% and with a child aged 6-11 26% and 6% respectively. These data do not differ significantly from the overall EU average, though but the employment of single mothers is less than elsewhere. Statistical data also shows that the use of childcare in Poland, particularly formal care, is among the lowest in the EU.

There is a lack of in-depth analysis of the persistency of the poverty in Poland. The available studies do not show the picture clearly. Surveys of social mobility carried out during the 1990s point to a growing trend of inherited social positions among those with the lowest income levels, who tend to be those with a low level of education (Domański 2000). However, surveys covering 2005-2007 do not confirm this finding. They reveal that for most households, poverty in Poland during 2005-2007 did not have a lasting effect (Social Diagnosis 2007 Report). Social Diagnosis 2005 and 2007 surveys show that out of the 7.5% of households suffering extreme poverty⁹⁸ in February 2005, less than a quarter (23%) remained with income under the poverty line in February 2007. The highest mobility in this regard during this period was among couples with 3 or more children and multi-family, multi-person households, while poverty was most ingrained among childless couples and single-person households. It should be noted, however, that the time period in question favoured families, due to rapidly decreasing unemployment and increasing income.

Longitudinal data from the EU-SILC for the three year 2004-2006 gives a further insight into the risk of persistent poverty in Poland as compared with other countries. These show that around 56% of children who were at risk of poverty in 2006 were also at risk in each of the two preceding years, which is relatively high as compared with other countries (it is the fourth highest figure among the 20 countries for which data are available for these three years). The EU-SILC data, therefore, suggest that the ability of households with children to escape from a low risk of poverty is less than implied by the national study, though this was concerned with extreme poverty rather than simply having income below 60% of the median.

⁹⁸ The extreme poverty basket takes into account only the needs which cannot be put off in time, and consumption below this level leads to biological degradation. It is established by the Institute of Labour and Social Affairs.

1.2 Trends

National statistics based on results of HBS show high economic growth and a substantial fall in unemployment since 2004 have resulted in a reduction in the risk of poverty. Between 2004 and 2008 the relative poverty rate in Poland, defined as monthly household spending below 50% of the mean⁹⁹, declined by 3 percentage points, from 20.3% to 17.6% (Table 1). There was a steeper than average decline among families with 3 or more children. Nevertheless, data for the last two years point to growing differentiation of incomes, resulting in a higher risk of poverty among households of single parents and stabilisation for households with two and three children. During 2006-2008 there was decline in the risk of extreme poverty, particularly for families with 3 or more children.

The introduction of personal income tax deductions for every child in the family for the first time in 2008 and increases in social assistance and family benefits have resulted in a reduction in child poverty. Micro simulation based on HBS 2007 data show that the effect of the tax deductions is estimated to have reduced the overall risk of for the population as a whole (with the poverty line equal to 60% of median equalised income) by 1.1 percentage points. The increase in social assistance payments and in the income threshold for eligibility is also likely to have reduced the number at risk of poverty (Simpl 2008). The same is true of the increase in family benefits for families with more than one child, which took place in 2006. However, there is no statistical evidence to support this.

Table 1 Trends in terms of income poverty in Poland, 2004 -2008

	% of children in households with income under poverty threshold									
	Relative poverty ^a					Extreme poverty ^b				
	2004	2005	2006	2007	2008	2004	2005	2006 [<i>break in series - data not comparable with earlier years</i>]	2007	2008
Total	20.3	18.1	17.7	17.3	17.6	11.8	12.3	7.8	6.6	5.6
Single households	6.1	4.9	4.9	6.4	7.5	3.3	3.1	1.9	2.0	2.3
Households: without children	5.6	4.4	5.3	5.9	5.8	2.8	2.7	1.9	1.7	1.5
with 1 child	12.3	9.0	8.9	8.4	7.1	6.4	5.5	3.0	2.9	1.8
with 2 children	18.5	17.2	17.2	15.2	15.2	9.7	10.4	6.7	5.2	3.8
with 3 children	35.6	31.4	28.5	28.3	28.1	21.4	22.0	13.9	10.5	8.8
with 4 or more children	55.9	54.5	49.9	48.9	45.0	40.1	43.5	26.2	25.4	17.8
Single parents	23.8	20.5	23.0	19.1	21.6	15.2	14.5	11.2	6.9	7.7

Note: Data based on HBS.

a) 50% of average monthly household spending (original OECD equivalence scale).

b) Extreme poverty is based on a basket of goods and services which takes into account only the needs which cannot be postponed, a lower level of consumption being damaging to health.

Source: CSO 2006, 2009

The positive, if limited, effect of economic growth and policy on reducing poverty could be eroded or disappear altogether due to the worsening economic crisis in Poland. If the economic slowdown turns into a longer crisis it could result in an increase in absolute poverty, while relative poverty is likely to increase more modestly, due to the widening of the gap in pay rates slowing down. The government

⁹⁹ Based on the original OECD equivalence scale.

has already announced a significant increase in family benefits¹⁰⁰. However, these benefits are received by a declining number of families since the income threshold for eligibility has remained unchanged since 2004¹⁰¹.

1.3 Absolute poverty

As shown by the UNICEF Report, in terms of material well-being measured by a set of indicators, Polish children are bottom of the 21 developed countries surveyed (UNICEF 2007). Research on child poverty shows that in low income families with children there is an accumulation of the negative factors connected with meeting basic daily needs: food, clothing, schoolbooks, housing conditions, security and rest (Tarkowska 2007).

It is estimated that in Poland there is widespread child malnutrition, resulting from a variety of factors: illnesses, lack of proper care in the household and poverty. According to school principals, during the 2005/2006 school year, 29% of children aged 7-15 required supplementary food. During this period, around 20% of school children were provided with supplementary meals (Danone 2007).

Economic well-being also involves participation in cultural and leisure activities. In 2007, among households with single parents and families with 3 or more children, 45% did not take part in cultural activities for financial reasons. This proportion has decreased for families with 3 or more children since 2005. Nearly a half of households refrained from sending children to summer centres and camps and almost 60% from family holidays for economic reasons. In 2007 households of couples with 3 or more children and single parents were the most likely not to send their children on holiday. 62% of such households did not send their children on group holidays, 4% less than in 2005 (Social Diagnosis 2005, 2007).

2. Impact and effectiveness of policies in place

2.1 Overall approach

Main policy features

The first official document referring to child poverty and deprivation was the National Strategy for Social Integration 2005-2010, adopted by the government in 2004. This strategy referred in part to the phenomenon of poverty among children, lack of access to pre-school care, quality and differentiation of educational opportunities, particularly for children with disabilities, and difficulties of access to health care for mothers and children. The document set the general strategic framework for government operational programmes contained in NAP Inclusion documents. In practice, it ceased relatively soon to play a significant role in programming measures directed at social inclusion.

Successive government operational documents: NAP Inclusion 2006-2008 and 2008-2010 specify the priorities relating to countering poverty and exclusion of children.

They are focused on:

- Income of families with children,

¹⁰⁰ Family benefits are indexed every three years. The increase of these benefits by about 40% for every child will be implemented from November 2009.

¹⁰¹ While the CPI increased by 15% since the third quarter 2004.

- Childcare services,
- Education of children.

The efforts aimed at improving the income of families in these documents cover both income support and measures to increase of employment of parents.. Both seem well founded, in view of the relatively large impact of the limited employment activity of parents on child poverty as well as the extent of poverty connected with a large number of children in the family and the widespread phenomenon of working poor. One of the main barriers to the employment of women with small children is limited access to pre-school care (Kotowska, Sztanderska, Woycicka 2007).

Ensuring general access to such care is also imperative for ensuring an equal start to education for children. The considerable disparities in the quality of education shown by the OECD –PISA study is one of the most important challenges to be addressed (OECD PISA 2006).

While the objectives of the policy are fully justified, they seem to be insufficiently addressed in some areas.

The government operation documents targeted at counteracting poverty and deprivation among children are insufficiently focused on the problem of those children experiencing the most serious disadvantages. The documents fail to take account of the needs of those children most exposed to the risk of social exclusion, such as children with disabilities¹⁰², particularly in the context of access to day care, education, health care and rehabilitation.

Although the low education of parents seems to be one of the important factors leading to child poverty, it does not address the problem of access to education and vocational training. While participation in secondary and tertiary education has been improved significantly since 1990, the participation of adults in education and training is still very low in Poland (4.7% of 25-64 year olds in 2008, according to LFS data). In particular, there is a lack of policies targeted at updating and improving the qualifications of mothers (and fathers) on parental leave and at improving access to vocational training.

The policy documents specify quantitative targets in selected areas only. They fail to provide a full and clear picture of policy aims, are fragmentary and seem haphazard in their selection. They lack the general target of reducing child poverty. The adopted fragmentary indicators are not rooted in thorough analysis and diagnosis. Some of the indicators, such as the increase in the employment rate of women, seem excessively ambitious; while others, relating to improved care for small children, are attainable provided there is a dedicated, consistent policy. Successive documents lack continuity in terms of setting specific policy objectives and quantitative targets; other indicators (for instance, those relating to pre-school care) keep changing without real forethought or justification.

2.2 Income support

The main form of income support for families with children is means-tested family benefit. The system comprises the standard benefit – family allowance, and a range of different cash benefits adjusted to specific family situations (such as childcare allowances paid to parents on parental leave, supplements for lone parents and benefits paid to those caring for children with disabilities). All these benefits are payable if the family income falls below a certain level, at present PLN 504 per month per person in the family (e.g. 47% of the median equivalised income of households with children in 2006 which is below the European poverty threshold)¹⁰³.

The family benefits system provides income support to low income families. However, the income threshold for eligibility and the level of benefits are very low.

Family allowances differ according to the age of the child and current monthly amounts are:

¹⁰² There is also lack of attention paid to the children of refugees and Roma children, even if there are not many such children in Poland.

¹⁰³ The income criteria for families with disabled children are higher and amount to PLN 583 per month (around EUR 138) per head in the family.

- PLN 48 for one child up to 5 years old (around EUR 12; 4.5% of the median equivalised income for households with children in 2006)
- PLN 64 for one child between 6 and 18 years old (around EUR 15; 6% of the median equivalised income for households with children in 2006)
- PLN 68 for one child between 19 and 24 years old in education (around EUR15; 6% of the median equivalised income for households with children in 2006).

An additional allowance of PLN 50 monthly (about EUR 12; 6% of the median equivalised income for households with children in 2006) is paid for every third and subsequent child in the family. The supplements for single parents amount to PLN 170 a month per child (around EUR 40) on condition they do not receive alimony payments.

The additional monthly allowance for a child with disabilities is:

- PLN 60 (EUR 14) for a child up to the age of 5 and PLN 80 (around EUR 19) for a child aged 16 and under or aged 24 in cases of moderate or serious disability.

There were on average monthly payments of family allowances to around 3,768 thousand children in 2008 which is 32% of the total.

If total household income (including family benefits) falls below the social assistance threshold (currently PLN 351 per month per person in a household - 33% of the median equivalised income for households with children), additional benefits from the minimum income scheme are available. However, social assistance benefits are very limited and they alleviate rather than diminish poverty. The standard social assistance benefits are non compulsory and amount to 50% of the differential between the income of households and the social assistance threshold.

In 2008, a tax deduction of PLN 1173 (around EUR 279) a year for every child in the family was introduced.

In practice too little has been done since 2004 when the first Polish NAP was adopted to bolster income support for poor families with children, while new risks emerged, reducing policy effectiveness. In 2006 there was an increase in family allowance for every third and successive child in a family and the amount of allowance varied according to the age of the child, rather than as earlier, by their number. However, support in the form of family allowances reaches an ever-decreasing number of families, because since 2004 there has been no increase in the income threshold for eligibility for such benefits, even though this should be adjusted every three years¹⁰⁴. Unfortunately, the last decision of the government has left the income threshold unchanged until 2009. The benefits are also very low. However, Parliament has adopted a regulation preventing family allowances from falling below 40% of the cost of living. The effect is to increase benefits significantly (by around 40%) in November this year¹⁰⁵.

The amount of social assistance payable has been increased since 2004 as a result of the reform and indexation of the social assistance income threshold in 2006. This had the effect of reducing poverty among the poorest households (Simpl 2008). However, social assistance payments are still inadequate to diminish the extent of poverty (Woycicka 2009).

The introduction in 2007 of family tax deductions was a controversial decision. It provoked disputes between political parties and experts. Even though the deductions contribute significantly to reducing poverty among children in families with income above the tax threshold, it has been pointed out that these deductions do not benefit the families with children most afflicted by poverty. This applies to those earning their living in agriculture and those dependent on social benefits other than pensions. Such families cannot make use of the tax deduction for children, as they are not income tax payers. In both these groups of families, child poverty is very high. Furthermore, families with multiple children and low income families benefit from the deduction only to a limited extent, because the amount of taxes they pay is lower than the amount of family deduction they can claim. These conclusions are

¹⁰⁴ Number of people covered by family benefits declined from 5,547,000 in 2004 to 4,268,000 in 2007 (MOLSP data)

¹⁰⁵ The Act from 28 November 2003 on the Family Benefits, Art. 19, p.3 (Official Journal 06.139.992 j.t.).

supported by the results of model simulations which show that the greatest impact of the tax deduction is on households in the second, third and fourth deciles rather than in the bottom decile (Simpl 2008).

In assessing income support for low income families with children, it is important to point to the very low level of the social budget spent on the benefits for these families in relation to other social expenditure. In 2006 spending on benefits other than pensions represented 7.3% of GDP, while the EU-25 average is 14%. Total spending on family benefits, social assistance and housing in Poland represented less than 6% of all social spending, while the average for EU countries is twice as much (Eurostat).

Analysis of EU-SILC 2007 data shows that social transfers other than pensions have a relatively small effect in reducing poverty among families with children compared to the EU-25 average (30% poverty reduction in Poland and 42% in EU-25). They contribute less to the income of households with children than the average for EU-25 (13% vs. 16% respectively).

The key conclusion to be drawn is that there is insufficient spending on social transfers other than pensions. Analysis of the distribution of social spending shows that there is room for improvement in targeting benefits. This applies in particular to transfers directed at jobless households with children, which are markedly less effective in reducing poverty than is the case for other types of households.

It is beyond question that bolstering the income support for poor families with children should become one of the prime tools for countering child poverty. However, this policy should also lead to strengthening the social safety net, particularly unemployment benefits and social assistance.

2.3 Access to the labour market and income from employment

Access to the labour market

The measures aimed at increasing access to the labour market for parents of children are focused mainly on reconciling employment with family responsibilities. Efforts targeted at reducing unemployment in this area are much less developed, which is one of the prime factors pushing up the risk of child poverty.

The main objective of government efforts to improve access of parents to the labour market is to increase the active employment of women by reconciling family obligations with holding down a job. Indeed, cultural and structural factors result in low employment of women with children (Kotowska, Sztanderska, Woycicka 2007). Statistical analysis also shows that economic inactivity of one parent or of a single parent increases the probability of child poverty.

The so-called "Family Act", implemented in January 2009 contains measures facilitating return to work after parental leave (which reduce employers' social contributions for parents returning from maternity or parental leave) and increasing job security for parents (mainly women) reducing working hours to enable them to take care of children. The Act also provides incentives for changing the traditional, male breadwinner family model into a partnership model (individualised paternity leave).

Poland has one of the lowest levels of provision of pre-school childcare in the EU. Access to such care for children with disabilities is extremely limited and there are wide disparities in access between urban and rural areas. For this reason, development of day care is one of the most crucial challenges; both in the context of ensuring equal educational opportunities and enabling parents to work. All the measures bolstering access to childcare, including incentives for the establishment of infant and pre-school day care centres by employers (through tax allowances) and the development of alternative forms of childcare in rural communities, financed by the ESF, are very important. In addition, starting with the 2009/2010 school year there will be an extension of compulsory pre-school care centres for children aged 5.

It is still too early to assess the impact of these legislative changes on the employment of women mentioned earlier (Family Act). It would seem, however, that the proposed actions are insufficient to ensure significant growth in the employment of women raising children. Above all, the policies proposed so far need to be bolstered by efforts to prevent discrimination of women in the labour market. In addition, there needs to be a development of active labour market measures to prevent the erosion of skills of those taking time off to take care of their children. Also, even though some progress

has been made in providing access to child day-care facilities between 2004 and 2008, continuation of the present rate of change will not make it possible to meet the ambitious goals set (see Table 2). A significant factor slowing the rate of change is the limited state budget allocation for financing pre-school care¹⁰⁶.

Table 2 Day care, 2004-2008

Percentage of children attending day care or nursing facilities	2004/2005	2005/2006	2006/2007	2007/2008	2010 target
Children aged 3-5, total					NAP Inclusion: 70% in 2012 NSSI ^{b)} : 70% in 2010
Of whom:	38.2%	41%	44.6%	47.3%	
rural	14%	na	21%	22%	NAP Inclusion: 30% in 2013; NSSI 40%
urban		na	61%	65%	
with disabilities		na	1.3%	na	NSSI: 33%
Children aged 0-2 ^a	1.9%	2.1%	2.1%	na	

As of 31st December

NSSI: National Strategy of Social Integration 2005-2010.

Source: Concise Statistical Yearbook 2006, tables 17 (149) and 9 (159); 2008 Statistical Yearbook: tables 18(150) and 9(158), CSO, www.stat.gov.pl, „Education and upbringing 2005/2006 and 2006/2007 CSO, table 3(26) and 1(26); Demographic Yearbook 2006,2007 table 17, www.stat.gov.pl, National Strategy of Social Integration 2005-2010.

The current weakness of policy is the lack of an effective response to the high risk of poverty among children in jobless households, noted above. The strong economic growth in the years 2005-2008 resulted in a growing demand for labour and a reduction in unemployment, in effect contributing to the reduction in child poverty. Nonetheless, a large percentage of the long-term unemployed were still deprived of a chance to re-integrate into the labour market. There are no activation programmes targeted at, and specifically tailored to, the needs of children with jobless parents. The programmes attempting to increase employment among the long-term unemployed are very limited¹⁰⁷.

In general, programmes to encourage employment of those excluded from the labour market are poorly designed to meet their needs. Support based on a holistic approach is provided only by very few narrowly specialised agencies. On top of this, negative selection, often reflecting negative bias, compounds the difficulties of ensuring the effectiveness of labour market programmes aimed at helping the long-term unemployed and those with low skills (Golinowska 2007, Report Polska 2030).

Ensuring adequate income from work

Even though the phenomenon of in-work poverty is relatively common in Poland, there is no comprehensive strategy directed at ensuring adequate income from work. The policy of setting the minimum wage is constantly under pressure from many conflicting factors (conflicting expectations of trade unions and employers, fears of extending illegal employment and unemployment). Since 2007, a policy of lowering the contribution rates for social insurance by 7 percentage points has been pursued. Unfortunately, as it reduces contributions by the same amount for all, it has resulted in a marked increase in the salaries of the higher paid, but has had a negligible effect on the net amounts payable by those on low wages¹⁰⁸. Micro simulation shows that the impact of this measure in reducing poverty is very limited (Simpl 2008). Positive changes in this respect took place in 2007 with the introduction of child deductions from income tax, though this has been criticised for the failure to target assistance on the most needy (as noted above).

¹⁰⁶ State budget finances only the costs of obligatory pre-school education for children aged 6.

¹⁰⁷ It is expected that in 2008 these will result in jobs for 18,000 unemployed and inactive, including parents raising small children.

¹⁰⁸ It was criticized by some Polish economists, who argued for focusing on reducing the tax wedge on the lowest wages only (see: Ekonomisci krytykuj obnizke skadki rentowej, Gazeta Wyborcza 17.06.2007).

2.4 Access to other enabling services

Education and housing seem to be the most important challenges for improving the wellbeing of children. The quality of the Polish education system is still very varied across the country. The housing situation of people, especially of low income families, is very difficult and access to decent housing limited.

Education

The Polish educational system is characterised by very marked disparities in quality. Comparison of the results of the OECD PISA study in 2006 and 2000 indicate a general improvement in the quality of education in Poland. It also shows that the problem of segregation resulting in substantial disparities in the quality of education still exists and the social and economic status of parents has a marked effect on results, more so than in most other countries (OECD PISA 2006).

The governmental strategy of ensuring equal educational opportunity is a partial response to this challenge (see: Strategy Report on Social Protection and Social Inclusion 2008-2010). This strategy covers three integrated areas for action: lowering the age of compulsory school (from 7 to 6); income support for children from low income families and; dismantling educational barriers in rural areas. Lowering the compulsory school age will be phased in gradually over the next three years, starting with the 2009/2010 school year. This will take place concurrently with the extension of compulsory pre-school education to all 5-year olds. Both are positive measures, proposed for many years by child education experts, as a significant means of ensuring equal opportunity. Implementation of the Government Programme for Developing Education in Rural Areas in the years 2007-2013, should lead to reducing the geographical disparities in access to, and the quality of, education¹⁰⁹. The system of income support should effectively help those from low income families continue their education.

The programme would have been more comprehensive had it responded to such issues as the segregation of children within and between different types of schools. Children from poor backgrounds, with lower educational aspirations, are often placed in separate classes or have access only to schools with a lower reputation¹¹⁰. The OECD PISA survey underlines the lack of integrity of the Polish educational system, which results in large differences in results between different types of school at post primary level (OECD PISA 2006).

The income support provided is too low to allow students from poor families to cover the costs involved in studying. Another problem that has not been addressed is that schools are under-prepared to cope with children from low income families, so increasing the extent to which they are excluded. Such children are often stigmatised and ostracised by their peers (Tarkowska 2007). A serious shortcoming is the failure to take account of the problems of children with disabilities.

Housing

The housing situation of many Polish families is very poor. As revealed by the EU-SILC 2007 survey, more than 7% of households occupy sub-standard housing, with leaking roofs, damp walls or floors, and so on and no indoor toilet or bath (3% of houses have no running water, 9% no toilet, 10% no bathroom and a similar percentage no hot water). Housing conditions, including shortage of space, of both lone parents and families with children are among the worst in the EU¹¹¹ (European Foundation 2003). Regardless of the significant improvement, which has taken place since 1989, almost 30% of

¹⁰⁹ "Government Program of Developing Education in Rural Areas in the years 2007-2013.", Ministerstwo Edukacji Narodowej, Warszawa, August 2007

http://bip.men.gov.pl/akty_projekty/projekt_rozwoj_edukacji_na_wsi_08-2007.pdf .

¹¹⁰ Vide: Jak powstają szkolne getta? [How school ghettos come about?] Dziennik, 9th September.2008

http://www.dziennik.pl/wydarzenia/article234161/Jak_powstaja_szkolne_getta.html

¹¹¹ Single parents with a child up to 16 years old had an average of 2.4 rooms, a couple with one or 2 children under 16 – 2.6, a couple with 3 or more children under 16 years old – 2.9 room dwellings (European Foundation 2003)

households in 2006 still lived in poor housing conditions¹¹². To a large extent, the worst affected are families with 3 or more children and lone parents. In 2006, 55% of households with 4 or more children, 39% of households with three children and 38% of single-parent households lived in poor housing conditions (insufficient floor space, lack of bathroom or sub-standard accommodation) (Table 3).

Table 3 Households in poor housing conditions

Household	Percentage of households with dwelling			
	without bathroom	limited space ^(a)	Low-standard dwelling ^(b)	Presence of at least one of the three features
Total	10.8	8.3	15.5	27.6
Childless couples	8.2	1.2	13.2	19.6
with one child	5.7	5.0	15.1	22.1
with 2 children	6.4	14.6	15.1	27.2
with 3 children	8.6	25.7	17.1	38.7
with 4 or more children	14.3	46.4	17.5	54.6
Lone parents with children	14.0	9.7	27.9	37.7
Other	17.2	6.8	15.4	29.4

Notes: a: Not more than 10 square metres per person, b: Social dwellings or ones with regulated rent.

Source: Radziukiewicz 2006, Data on the basis of HBS.

According to another study in 2007 in nearly 7% households children did not have their own place to do homework, though this situation has for most household types improved since 2005 (Social Diagnosis 2007).

There is a lack of far reaching programmes aimed at families living in poor conditions to obtain access to decent housing. Housing policy is dominated by the market, and for families living in poverty getting a mortgage is not possible, even if they could get access to the very limited government programme for 'semi-affluent' families. Local authorities also have very limited and poor quality provision of social housing for poor families. The acute shortage of social housing means that there is often a wait of many years¹¹³. The existing housing in many cases often does not meet even minimum standards (such as indoor bathroom and toilet) and fail to meet safety standards¹¹⁴. The programme of social housing lunched in 2006¹¹⁵ is advancing very slowly. In 2007-2008, a total of 5174 council house units were commissioned, whereas the shortfall is estimated at 120,000 to 130,000 units and 20,000 overnight beds are needed for the homeless (Zaniewska 2007). The January 2009 changes in regulations governing state assistance for creating social housing stipulates that the support to local authorities from the central budget should be increased to cover between 30% and 50% of project

¹¹² When determining poor housing conditions, presence of at least one of three factors was taken into consideration: lack of bathroom, space per person - not more than 10 square metres, and living in social dwellings or ones with regulated rent.

¹¹³ The wait for such housing in Poznań is four to five years; the situation is similar in the other large cities. There is a shortage of housing both for people evicted and for the poorest inhabitants of communes.

¹¹⁴ As a result of a special inspection carried out in 2009 by the Central Office for Building Supervision, 100 buildings were shut-down and another 41 partly shut-down for use as ruled unfit for habitation. 609 summonses were issued for immediate fixing or elimination of faults. "The most serious faults concerned those directly threatening the health and lives of inhabitants, such as disrepair of combustion gas ducts or lack of any exhaust removal installations whatsoever, lack of or clogged up ventilation ducts, leaky gas installations, damaged fire arresters, poor state of electric installations, unsecured junction boxes in public-access corridors, visible burn marks on electric wiring. Building supervision inspectors also found instances of building elements in complete disrepair, such as sagging of cracked ceilings or rotten-through roof supports. In such cases technical construction experts were called in or the building was ruled to be vacated immediately and closed down." Inspections were ordered after the blaze in spring 2009 of a social building in Kamień Pomorski, consumed by fire in a matter of minutes (Główny Urząd Nadzoru Budowlanego 2009)

¹¹⁵ Act dated December 8, 2006, on financial support for establishing social premises, protected housing, overnight lodging and homes for the homeless (Official Journal of 2005, № 251, item 1844).

costs (previously 20% to 40%) However, according to expert opinions, this does not seem sufficient to ensure a marked acceleration in the provision of new social housing.

3. Conclusions

Since 2004, alleviating child poverty has become one of the key objectives of social policy. Policy has focused on income support measures, reconciling family and work responsibilities and improving the education system. Although the strategy is a response to the most important problems it is not comprehensive and effective enough. The above analysis indicates the most important gaps and weaknesses.

The governmental approach to child poverty and well being is focused insufficiently on the problems of those children experiencing the most serious disadvantages such as children with disabilities, particularly with regard to access to day care, education, healthcare and rehabilitation.

The income support measures are not sufficient. Spending on income support for poor families is relatively low. The income criterion for family benefits has not been indexed since 2004 resulting in decreasing numbers covered by the scheme. Social assistance needs to be strengthened in order to ensure adequate minimum income for poor families with children. The positive impact of tax allowances in reducing poverty shows that much can be done by implementing a policy aimed at increasing income from employment. However, additional measures are needed to alleviate child poverty in households that do not pay income tax.

The measures aimed at increasing access to the labour market for parents are targeted mainly at reconciling employment with family responsibilities. Efforts targeted at reducing joblessness are much less developed, which is one of the main contributing to the high risk of child poverty. The programmes targeted at the long-term unemployed are on a very limited scale and are as a rule, poorly designed to meet the needs of the people concerned. In particular, the strategy does not encompass the need to improve their access to education and vocational training.

Development of child day care is one of the most crucial challenges; to ensure both educational opportunities and making it possible for parents to work. Day care provision has been improved slightly in recent years, but there remain much to be done and the policy measures undertaken seem to be insufficient.

Wide disparities in the quality of education are one of the most important issues to be addressed. The government strategy focused on reducing these contains important measures. In Poland access to good quality housing, especially for poor families with children, is very limited and existing programmes are not sufficient.

The problem of child poverty has been newly identified as a challenge in the official document "Report Poland 2030." This opts for a balanced strategy combining income support and labour market activation measures. However, the document does not develop a comprehensive and detailed strategy, which is left to be formulated at a later stage.

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Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

Slovenia

Nada Stropnik
Inštitut za ekonomska raziskovanja
stropnikn@ier.si

1. The nature of child poverty and the underlying factors

1.1 The children affected and the underlying factors

Overall indicators of income inequality and poverty

Income inequality, as measured by the Gini index, is lower in Slovenia than in the EU-25 average for both the total population and children. Inequality among children is lower than among the total population¹¹⁶.

The at-risk-of-poverty rate for children is about the same as for the total population when the threshold is set at 40%, 50% and 60% of the median income. Whatever at-risk-of-poverty threshold is applied (from 40% to 70% of the median income), the at-risk-of-poverty rate is (significantly) lower among children than among children in the EU-25 as a whole. The at-risk-of-poverty gap amounts to 19.6% for children in Slovenia and 21.4% for children in the EU-25.

As regards the primary indicator of material deprivation, children in Slovenia are in a better position than those in the EU-25 on average: 12.5% are lacking three or more basic items compared to 17.4% in the EU-25. Their situation is also better than the average for the overall population in the country.

The proportion of children in Slovenia who are both relatively income poor and materially deprived (4.5%) is lower than in the EU-25 (8%) or the average for the total population (4.8%).

According to the child well-being index¹¹⁷, Slovenia ranks 7th among 29 EU countries (Bradshaw and Richardson, 2009). In terms of material resources it ranks 5th. The authors conclude that children in Slovenia are better off than its GDP per capita might indicate.

Determinants of child poverty at household level

Children who are more likely (than the average child) to be at a higher risk of poverty:

- ✓ are aged over 5,
- ✓ have a father who is younger than 30,
- ✓ have a mother who is younger than 35,
- ✓ live with only one parent (and have brothers/sisters below the age of 18), or with two parents and two or more brothers/sisters below the age of 18,
- ✓ live in a household where those of working age are not employed full-time,
- ✓ live with unemployed parent(s),
- ✓ have low-educated parents and/or parents who do not have permanent employment,
- ✓ live in rented accommodation,
- ✓ have at least one parent with a chronic illness.

¹¹⁶ This is due to the fact that inequality among the population aged 55 years and over exceeds that among the total population[0] (Stropnik and Kump, 2008).

¹¹⁷ The index seeks to represent seven domains of children's lives: health, subjective well-being, personal relationships, material resources, education, behaviour and risks, and housing and the environment.

Children aged under 3 and between 6 and 17 have a higher proportional risk of poverty. The opposite is true for children aged 3-5. After the age of 3, the at-risk-of-poverty rate, therefore, increases with age.

The risk of poverty is higher for families with young parents. These parents are more likely to be out of the labour market (studying or unemployed) or have temporary jobs. Their earnings are also likely to be lower. Nevertheless, in the EU-25 as a whole, children with young parents are much more likely to be at risk of poverty than in Slovenia.

The at-risk-of-poverty rate for children in single-parent households is about three times higher than the average for all children. It is important to note that the number of single parent families is not greatly affected by teenage pregnancies or the fact that many children are born out of wedlock¹¹⁸. The large proportion of non-marital births being registered by both parents (95% since the 1990s) suggests that these births mostly occur within stable relationships (Šircelj 1998; SORS 2004; Stropnik and Šircelj, 2008). Many couples marry after the birth of the first child.

For children living in households with two adults and three or more children, the risk of poverty is 1.4 times higher than the average. However, the proportion of such families is low in Slovenia¹¹⁹ and has been declining (SORS)¹²⁰, which is important for the evaluation of the severity of the problem.

As many as 76% of children living in households where no-one of working age is in employment are at risk of poverty (as against an EU average of 68%). The risk of poverty is also relatively high for children living in households where those of working age work only part-time.

The risk of poverty for children declines with an increase in their parents' (particularly the fathers') education. The risk is below average for children whose parents have medium or high education (2.1% in the latter case).

Chronic illness of parent(s) raises the risk of poverty by almost 5 percentage points relative to the average.

The likelihood of disadvantage passing from generation to generation

It is important to note that in Slovenia the decision to have a child is not usually a spontaneous one but rather a carefully planned step dependent on both subjective and objective conditions (Ule, 2004). Psychologists speak of the responsible parenthood norm (Ule and Kuhar, 2004). Increasing pressure on employment, financial security, housing, time, emotional maturity, ability to raise a child, good partnership relations, etc., acts as an obstacle to having children. Many young people say they would have children earlier if the two basic preconditions, a stable job and appropriate housing, were fulfilled.

Černak-Meglič et al. (2009: 59-60) did not find any significant differences in the children's success at school across income groups nor in the aspirations (expectations) of children.

¹¹⁸ The proportion of non-marital births has been rising in all age groups of mothers. However, teenagers are rarely involved (just in 3.2% cases in 2004).

¹¹⁹ According to the 2002 Population Census, about 17% of children lived in families with three or more children (SORS).

¹²⁰ About 77% of women who had their first child decide for a second one. The probability of having the third child is much lower. Among the 1957-1961 birth cohorts, women who gave birth to two children account for 55%, those who gave birth to one child account for 20%, and those with three children for only 13% (Šircelj, 2006; Stropnik and Šircelj, 2008).

1.2 Trends

Since, Slovenia was not a typical socialist country, the economy was not regulated to the same extent as other social countries, with greater economic development and cooperation, a better standard of living, etc. The political, economic and social transformation that started at the end of the 1980s did not cause as much turbulence as in other countries in transition (Stropnik and Šircelj, 2008). The employment rate started increasing in the second half of the 1990s. GDP began to increase from 1995, both in total and per capita. Annual growth of GDP was 3.5%-5.5% in the years 1995-2004.

Both the at-risk-of-poverty rate (defined as income below 60% of the median equivalised net cash income of households) for the overall population and inequality of income (measured by the Gini index), have declined in the 2000s and are among the lowest in the EU.

The at-risk-of poverty rate for children under 15 fell from 2000 to 2003, but has increased since then (Table 1). Until 2005 it remained below the at-risk-of-poverty rate for the overall total population. The at-risk-of poverty rate for those aged 16-24 was higher than for the total population before 2003, but has fallen since then. In 2006, it was considerably (2.3%) lower than the at-risk-of poverty rate for both the total population and children under 15 – mostly due to a reduction in the unemployment rate among the young.

The at-risk-of poverty rate for children aged under 18 fell from 2004 to 2006 and was similar to the average for the total population. In 2006 (according to the EU-SILC 2007) it was 11.3%.

Table 1: At-risk-of poverty rates; after social transfers

	Income, excluding income in kind						
	2000	2001	2002	2003	2004	2005	2006
Total population	13.0	12.9	11.9	11.7	12.1	11.7	11.5
0-15 years	11.2	11.7	10.5	9.9	11.9	11.8	11.7
0-17 years					11.9	11.5	11.3
16-24 years	12.3	13.4	12.3	13.0	10.4	9.1	9.2
	Income, including income in kind						
Total population	11.3	10.6	9.9	10.0	11.4	11.1	11.0
0-15 years	9.3	8.7	7.4	8.8	11.0	11.1	11.0
0-17 years					11.1	10.8	10.8
16-24 years	10.3	10.3	10.0	10.6	10.0	8.9	8.7

Sources: MoLFSA, 2008; SORS, <http://www.stat.si/>.

Notes:

Indicators for 2000-2003 are based on the Household Consumption Survey (Household Budget Survey). Indicators for 2004, 2005 and 2006 are based on the EU-SILC 2005, 2006 and 2007, respectively.

The significant increases in at-risk-of-poverty rate for children aged 0-15 years between 2003 and 2004 can only be explained by the change in the data sources.

Grey cells indicate rates that are higher than those for the total population.

The at risk-of-poverty rate is by far the highest for single-parent households with children (Table 2):

Table 2: At-risk-of poverty rates; after social transfers (income, excluding income in kind), by household type

	2000	2001	2002	2003	2004	2005	2006
Total population	13.0	12.9	11.9	11.7	12.1	11.7	11.5
Single-parent household with at least one dependent child	17.5	18.0	14.8	24.3	21.4	22.1	28.6
Two adults, one dependent child	9.2	6.9	6.7	6.2	9.1	9.0	9.9
Two adults, two dependent children	6.3	6.7	7.6	8.5	10.1	8.3	7.2
Two adults with at least three dependent children	16.7	18.7	13.4	10.3	16.6	15.4	15.2

Sources: MoLFSA, 2008; SORS, <http://www.stat.si/>.

Notes:

Indicators for 2000-2003 are based on the Household Consumption Survey (Household Budget Survey). Indicators for 2004, 2005 and 2006 are based on the EU-SILC 2005, 2006 and 2007, respectively.

The significant increases in at-risk-of-poverty rate for households with 3 and more children between 2003 and 2004 can only be explained by the change in the data sources. The big increase in at-risk-of-poverty rate for single-parent households between 2005 and 2006 is most probably due to a small number of cases.

Grey cells indicate the rates that are higher than those for the total population.

1.3 Absolute poverty

It is not really possible to speak of absolute poverty in Slovenia. While it is true that the minimum income is below the at-risk-of-poverty rate, there are one-time cash social assistance payments available in cases of proven need, and several organisations (like the Red Cross and Caritas) which provide poor families, particularly those with children, with in-kind assistance ranging from food supplies and clothing to free holidays. Families on cash social assistance also receive the highest child allowances (these allowances are high both in absolute terms and relative to other social transfers and the minimum wage), the highest childcare subsidy and the highest national educational grants. Their children get free school meals and usually do not pay for school trips (including a week's recreational school excursion to the mountains or the coast).

It should also be kept in mind that households at risk of poverty produce more of their own food, which increases their living standards. This is evident from a generally lower risk of poverty and lower income inequality if the poverty measures are based on both income in cash and income in kind (Stropnik and Kump, 2008). Another way of increasing family income is through the shadow economy, the extent of which is hard to estimate. Because of this, it is not possible to say that families with low monetary disposable income suffer from absolute poverty in the sense that they cannot meet their basic needs, or even that their children cannot participate in activities in the same way as children from better-off families.

Research on families with the lowest income does not indicate that they are living in absolute poverty. Černak-Meglič et al. (2009) found no difference in the proportion of children from low-income families and all children regarding their daily consumption of meat or fish. The proportion of children from low-income families consuming fruit and vegetables every day was only 8 percentage points below the average, which may be due to (free or subsidised) meals provided by childcare centres and elementary schools.

2. Impact and effectiveness of policies in place

2.1 Overall approach

Main policy features

Slovenia has a relatively well-developed family policy aimed at balancing professional and family obligations, providing equal opportunities to both sexes and horizontal redistribution of income in favour of families with children. Unlike in most transition countries, in the 1990s Slovenia managed to preserve the family policy measures from the socialist period. Moreover, some measures were improved and some new ones introduced.

In 1991, an independent ministerial department for family affairs was established. In 1993, the Parliament adopted the Resolution on Foundations of the Family Policy, and in 1994 the National Council for Family was established, comprising experts and lay representatives acting as an advisory body to the Government (Stropnik and Šircelj, 2008). In 2006, the Slovenian government adopted another strategic document: the National Programme for Children and Youth for the period 2006-2016 (MoLFSA, 2006).

Currently family policy measures are mostly of a financial nature (allowances, subsidies, wage compensations), i.e. aimed at moderating any decline in the standards of living following the birth of a child. At the same time they provide some necessary preconditions for reconciling work and family obligations.

Cash benefits for families with children range from cash social assistance to birth grants, parental allowances (for parents not entitled to parental leave and benefit), child allowance, and a large family allowance. The main measures that enable balancing of professional and family obligations and provide equal opportunities to both sexes include parental leave and parental benefit (earnings compensation), labour market policies that enable employment of parents with young children and subsidised childcare. A number of benefits are related to education (free textbooks, subsidised transport to school, subsidised school meals, scholarships, etc.). There are elements of family policy in tax and housing policy too. Some family policy measures are designed or adapted for families with children with disabilities (the allowance for nursing a child, partial payment for lost income, etc.).

Clarity of objectives and targets

In spite of a relatively low risk of poverty for children in Slovenia, they are treated generally as a vulnerable group, or a group facing a higher risk of social exclusion and/or poverty that may threaten their physical, mental/emotional and social development (MoLFSA, 2008). It has been a continuous goal of successive Slovenian governments to improve the financial position of families with children – primarily those that are in an unfavourable position due to unemployment, low earnings, non-entitlement to wage compensation during parental leave, or serious illness or handicap of a child.

The fight against child poverty is implicit in the National Programme for the Fight against Poverty and Social Exclusion (2000). Providing adequate income support to vulnerable groups in order to prevent social exclusion is the first priority of the National Action Plan for Social Inclusion (MoLFSA, 2008).

The basic quantitative objectives for preventing poverty and social inclusion by 2010 include:

- ✓ to reach a 90% kindergarten attendance for children aged 3-5¹²¹
- ✓ to preserve the current rate for younger children¹²²
- ✓ to increase the capacity of the therapeutic programme network providing psycho-social assistance to children and families to achieve full coverage with one expert per 50,000 inhabitants (MoLFSA, 2008).

2.2 Income Support

The *cash social assistance* is based on the basic amount of minimum income, which is equal to EUR 226.80 a month (from July 2009). A weight of 1 is attached to a single person or the first adult in the family, 0.7 for additional adults and 0.3 for each child below 18 (and older child in regular schooling). There is also an additional weight of 0.3 for single-parent families.

A review of the basic amount of minimum income is in process in order to check its suitability 8 years after its introduction (Stropnik, 2009).

Child birth allowance is a lump-sum benefit granted to every child whose mother or father has permanent residence in Slovenia. The amount is EUR 276 (from July 2009), though it is possible to opt for an in-kind benefit (in the form, e.g. of accessories for newborn babies).

A lump-sum *parental allowance* of EUR 193 is granted to those not eligible for insurance-based earnings compensation during parental leave (about 11% of parents on parental leave) for a period of one year.

Child allowance is granted to one of the parents up until the child is 18, or until the age of 26 if they are students¹²³. Over the whole post war period, child allowance has been a selective benefit targeted on low-income families and, since 1994, on middle-income families as well. Since 1999, the income threshold has been set at 99% of the national average gross wage per family member. In recent years, child allowances have been received by 70% of children in the relevant age group¹²⁴.

Child allowances vary with the number of children. Since 2003, child allowances for pre-school children who are not included in subsidised childcare programmes have been 20% higher than for other children¹²⁵, and from 2004, they have been 10% higher for children in single-parent families.

Child allowances are relatively high for children in low-income families in relation to wages and other social benefits. The highest child allowance (EUR 135.55 a month for the third and subsequent children in the lowest income bracket) is equal to around 15% of the net average wage or about 31% of the net minimum wage; the lowest (EUR 19.64 per month for the first child in the highest income bracket) is equal to only about 2% of the net average wage or about 4% of the net minimum wage. A family with two

¹²¹ It was 82.1% in the school year 2007/08 and 84.1% in 2008/09 (SORS, 2009).

¹²² It was 43.7% in the school year 2007/08 and 49.2% in 2008/09 (SORS, 2009).

¹²³ If the tertiary education lasts five or six years or if the child has not completed regular schooling within the prescribed period due to prolonged illness, or injury, or the undertaking of military service during schooling, the right to a child allowance may be extended by the length of the period for which education was extended for such reasons.

¹²⁴ The proportions of the population receiving child allowances (population in 2008, beneficiaries in August 2009) is 86% for the age group 0-18, and 71% for the age group 0-26. Such high proportions even in a rather "old" age for children are due to a high levels of continuing education at tertiary level on the one hand, and a bad habit of studying slowly on the other. The average duration of graduate studies is 6.8 years. Due to exceptions (long university study programmes and similar), there are also about 500 beneficiaries aged 26-29.

¹²⁵ This is intended for compensating for a part of the costs of informal childcare arrangements or a part of the opportunity costs for a parent taking care of a child at home.

children in the lowest income bracket (with income per family member below 15% of average earnings) is eligible for a monthly child allowance of EUR 237.19, or 26% of average net monthly earnings, 55% of the net minimum wage. Families in the highest income bracket (with income per family member between 75% of average earnings and the average) are eligible for a monthly child allowance of EUR 46.81, 5% of average net monthly earnings or 11% of the net minimum wage.

A *large family allowance* was introduced in 2002 as a lump-sum transfer to all families with three or more children below the age of 18. From July 2009 it amounts to EUR 386.96 for families with three children and EUR 471.90 for those with four or more¹²⁶.

In 2000, the *alimony fund* was established. In the case of one of the parents not fulfilling his/her obligation to pay support for a child under 15 (or 18, if not employed) and living in a family with income per family member not exceeding 55% of the average wage), the child is entitled to compensation from the public alimony fund. The amount of alimony compensation is then recouped from the errant parent (Stropnik et al., 2003).

2.3 Indicators of policy impact

The family policy measures have undoubtedly alleviated unfavourable economic conditions or even poverty in many families with children. It should be stressed particularly that the high awareness of the importance of the welfare state prevented the deterioration of these measures even in the hardest transition years (Stropnik and Šircelj, 2008).

In the period from 2004 to 2006, the at-risk-of-poverty rate for the total population was 12.5-13.7 percentage points lower after social transfers (Tables 1-3). For children under 18, it was around 14-16 percentage points lower. Social transfers, therefore, more than halve the at-risk-of-poverty rate for children. Child allowances have the greatest impact.

Table 3: At-risk-of poverty rates before social transfers (pensions are not treated as social transfers); income, excluding income in kind

	2004	2005	2006
Total population	25.8	24.2	23.1
0-15 years	27.5	26.3	25.0
0-17 years	28.0	26.2	25.0

Source: SORS, <http://www.stat.si/>

Note: Indicators for 2004, 2005 and 2006 are based on the EU-SILC 2005, 2006 and 2007, respectively.

It is evident from the transfer distribution indices that single-parent households and couple households with up to two children receive less than their proportional share of both family/child-related and all social transfers. Two-parent households with three or more children receive (much) more than a proportional share of family/child related transfers (over double their share in the total population). This to a large extent is due to child allowances that are relatively high for children from low-income families and which increase with the number of children. Other means-tested social transfers vary with average income per

¹²⁶ According to the 2002 Population Census, less than 4% of children lived in families with four or more children (SORS).

family member, so neglecting the economies of scale in the expenditure of households with more members. Additionally, some important social transfers are not counted in family income when assessing entitlement to social benefits, so increasing the number of families eligible and the amount they receive.

Households where no-one of working age is employed receive almost double their proportionate share of social transfers and almost 1.5 times their proportionate share of family/child-related transfers. The same is true for households with low work intensity.

On average, all social transfers account for 18% of income received by households with children while the sub-group of family/child-related transfers accounts for 8%. For households with children at risk of poverty, all social transfers account for almost half (47%) of their income, while family/child-related transfers account for 22%.

The relative importance of family/child-related transfers is much the same as the EU-25 average. Family/child-related transfers, however, are means-tested in Slovenia and therefore more targeted on low-income families. They account for 16% of the income on average of two-parent households with three and more children, while single-parent households receive almost a third of their income through social transfers, though family/child- transfers account for only 14%.

For households with children where no-one of working age is employed, social transfers account for more than two-thirds of their income while family/child-related transfers account for a fifth.

Because of social transfers, more than half (57%) of children in Slovenia at risk of poverty before social transfers are pulled out of relative poverty and more than a quarter (28%) due to family/child-related transfers alone, more than in the rest of the EU.

The poverty reduction impact of all social transfers, and family/child-related transfers in particular, is much larger for children in all types of two-parent households than for children in single-parent households, the impact increasing with the number of children.

2.4 Access to the labour market and income from employment

Access to the labour market

For more than 50 years, Slovenia has been a country with a high female employment rate. This is not only due to the professional aspirations of women, but also due to necessity¹²⁷. Two wages are still needed for a decent standard of living for families with children, so women join the labour market and do not leave it after childbirth (Stropnik and Šircelj, 2008).

In the 1990s, 47% of those employed were women and about 46% in the first half of the 2000s (SORS). The employment rates by sex and age are detailed below in Table 4. This shows that in families with small children usually both parents are employed. Another important feature of female employment in Slovenia is that the majority of women are employed full-time. Typically, after parental leave, women return to their job full-time. Some 85% of women with children under 12 are employed for more than 30 hours a week (SORS 2006a).

¹²⁷ Stropnik (2009) has estimated that the minimum costs of living for an adult amount to about 2/3 of the net average earnings. The calculation is based on the expenditure pattern of 40% of households with the lowest income.

Table 4: Employment and unemployment rates, by sex and by age groups, 2007

Age	Employment rate		Unemployment rate	
	M	F	M	F
15-24	43.2	31.4	9.6	11.6
25-49	90.1	85.0	3.3	5.7
50-64	58.6	39.6	3.6	4.9
65 and over	12.0	6.7	-	-

Source: SORS, 2008.

As a rule, women do not leave the labour market after giving birth to a child. The child is about a year old when parental leave expires, and childcare is available and affordable for children below the age of three.

Over 80% of single women aged 25-49 with the youngest child under 12 are employed. The same is true for women in couple households. The employment rate is about 80% for women without children, and increases with the age of the youngest child. It is 82% for women with the youngest child under the age of 3, 87% for those with the youngest child between 3 and 5, and 89% for those with the youngest child between 6 and 11.

Between 92% and 95% of women with children under the age of 12 in employment work full-time. It is thus not surprising that Slovenia is one of the Member State with the largest share of children aged under 5 living in households where everyone of working age are employed full-time.

Only around 12% of children under 6 at risk of poverty and 13.5% of those aged between 6 and 11 live in households with the highest work intensity. Around a fifth of those aged under 6 and about a quarter of those aged 6-11 live in jobless households, while almost three quarters of those aged under 6 and around two-thirds of 6-11 year-olds live in households with a work intensity of 0.5 or lower.

Measures enabling the reconciliation of work and family

Parental leave¹²⁸

Since 1986 Slovenia has had one-year parental leave with full pay. Total leave related to childbirth (parental leave) consists of 105 days of maternity leave, 260 days of childcare leave (or 520 days if taken as half-time leave) and 90 days of paternity leave.

Childcare leave is extended by 30 days if – at the birth of a child – parents are already bringing up at least two other children below the age of eight; by 60 days if they are bringing up three children; and by 90 days if they are bringing up four or more children.

Up to 75 days of the childcare leave may be taken up until the child is eight. Childcare leave is a family entitlement. Fathers are obliged to use at least 15 days of paternity leave while the child is under six months, while the rest of the 75 days can be used up until the child is three.

Earnings compensation amounts to 100% of the average monthly gross earnings during the twelve months prior to the leave¹²⁹. The minimum earnings compensation is set at 55% of the minimum wage and the maximum at 2.5 times the average wage (the upper limit is not applied during maternity leave).

¹²⁸ The term "parental leave" is used for the maternity, paternity and childcare leave.

¹²⁹ If the contributions were paid during a period shorter than twelve months, the minimum wage is taken into account for the missing period. For persons not insured at the time the leave starts, but have been insured for at least twelve

All insured mothers take maternity leave.

Some 63% of fathers took up to 15 days of paternity leave in 2003 (when it was introduced), 72% in 2004, around 67% in 2005 and about 75% in 2006-2008. Out of these, 10% took more than 15 days in 2006 and 15% in 2008.

Research suggests that most fathers do not take more than 15 days of paternity leave because their earnings are not fully compensated during the rest of it. There are also obstacles on the employers' side (Rener, Švab, Žakelj and Humer, 2005; Stropnik, 2005).

Virtually all mothers take childcare leave. In 2003, only 2% of fathers took a part of it. In subsequent years, there has been an increase – to 5% in 2006, and almost 6% in 2008. Given the full wage compensation during the first 15 days of paternity leave, the reasons for the low participation of fathers may be found in the traditional division of tasks within the family, social attitudes, the negative image of fathers who take on more family responsibilities, and employers' expectations.

Other labour market related measures for parents with young children

After parental leave, a return to the job held before is guaranteed. Breastfeeding mothers who work full time have the right to a break during working time of at least an hour a day.

The parent of a child under 3 (or a child under 18 with a severe physical disability or a moderately or severely mental disability) may choose to work part-time and have social security contributions (based on the minimum wage) made up from the state budget. In January 2007, the right was extended up until the youngest child reaches 6 if parents are taking care of two children or more. There are, however, only around 8,000 parents taking advantage of this.

A parent leaving the labour market in order to take care of four or more children is entitled to have social security contributions paid from the state budget until the youngest child reaches the age of 10. This affects around 1,200 people.

Parents are also entitled to take leave to care for sick children. In general, 7 working days of leave may be taken for each episode of illness per family. In exceptional circumstances, the period may be extended to 14 and 30 working days, respectively, or longer in extreme cases (up to six months). Leave is paid at 80% of average earnings over the preceding 12 months.

Pre-school childcare

Female employment has always been accepted in Slovenia, even for mothers with small children. Because of this, the well-developed network of pre-school childcare centres has been maintained, high subsidies continued, while standards and norms in childcare have been improved during the transition. With quality childcare available and affordable, women do not have to break their careers after childbirth but can continue to contribute to the family budget. This is very different from developments in a number of other transition countries, like Poland, Hungary and the Czech Republic, where organised and subsidised childcare for children up to the age of three hardly exists; so mothers have tended to stay on parental leave for three years receiving relatively low benefits and suffering a loss of their human capital.

In Slovenia, there is organised care in nursery schools for children as young as one, i.e. after parental leave comes to an end. Just over a third of children aged under 3¹³⁰ receive formal childcare. This applies to both those in households with low incomes and those with higher levels.

Around 83% of children aged 3-5 are enrolled in kindergartens, and less than 7% receive no childcare at all.

months in the last three years before the start of the maternity leave, the wage compensation amounts to 55-105% of the minimum wage, depending on the insurance period in the last three years.

¹³⁰ In Slovenia, these are children aged 1 because parents are entitled to about a year of parental leave.

At the start of 2009, the cost of childcare programmes was about EUR 450 a month per child under 3 and about EUR 334 a month per older pre-school child¹³¹. Nevertheless, childcare services are affordable due to high means-tested subsidies from public sources. These subsidies are by far the highest single transfer to families. All approved programmes of public and private day-care centres/providers are entitled to be subsidised, on average, covering 68% of the costs at the start of 2008. Families on social assistance are exempt from paying fees altogether.

The amended Pre-school Childcare Act alleviated the burden placed on other parents and substantially increased the public subsidy. From September 2008, childcare has been free of charge for the second and any subsequent child if there are two or more children simultaneously attending childcare; parents pay only for the oldest child. A 50% reduction in the payment for children aged 3 and over will be implemented gradually between January 2010 and January 2014; so, from January 2010 the payment will be lower for five-year-olds, from January 2012 for four-year-olds and from 1 January 2014 for three-year-olds.

The provision of pre-school childcare places is almost in line with demand. The access rate in 2008/09 was 49% for children under 3 and 84% for children aged between 3 and 5 (SORS, 2009).

Flexible working arrangements

According to the 2005 Labour Force Survey, 51% of those of working age in employment usually have the option of varying the start and end of their working day, for family reasons, by at least one hour (SORS 2006b); 30% have that possibility rarely and 19% never.

The amendment to the Employment Relationship Act adopted in November 2007 sets the foundation for the implementation of flexicurity. Some of the key points in the adopted amendments relate to the following:

- ✓ provision of greater internal employment flexibility;
- ✓ use of flexible forms of employment and working hours;
- ✓ incentives for reconciliation of professional and family life – additional means for easier reconciliation of professional and family life have been introduced, under which it is now possible to adapt working time to the needs of employees with parental obligations, providing that work or production process requirements allow it, so that employees with school-age children may be able to take at least one week of their annual leave during school holidays. In addition, more comprehensive as well as clearer rules on the special protection of employees with parental obligations against dismissal have been established;
- ✓ provision of greater protection of employees against discrimination of all forms (MoLFSA, 2008).

Ensuring adequate income from work

The minimum wage is relatively low in Slovenia (EUR 454 per month after payment of social security contributions and taxes; or about a half of net average earnings). There is an intention to negotiate an increase, which is related to the planned increase in minimum income.

In-work benefits include:

- ✓ reimbursement for meals during work,
- ✓ reimbursement of travel expenses to and from work,
- ✓ holiday allowance,
- ✓ retirement severance pay,

¹³¹ Source: Ministry of Education and Sport, http://www.mss.gov.si/fileadmin/mss.gov.si/pageuploads/podrocje/vrtci/xls/vrtci_cene_2009.xls.

- ✓ extra payment for years of service.

There are *tax allowances* (reduction of taxable base) for tax payers and dependants. The allowance covers spouses or partners and any other dependant adult as well as the first child, while for each subsequent child the amount is increased. The allowance is also higher for a child requiring special care. However, it should be noted that tax allowances for children are worth more to higher income taxpayers than lower income ones.

2.5 Access to enabling services

Housing and the environment

The housing market in Slovenia is characterised by the limited availability and affordability of housing for young people: long waiting lists for social housing, insufficient availability of favourable housing loans, poor development of the private rental sector, insufficient availability of student housing, and an absence of a co-operative sector. House purchase is usually possible only through intra-family transfers. Renting of housing in the private sector is expensive while social housing is of a low quality (Cirman 2006). According to the 2005 Housing Survey, the share of rented accommodation is 9%, while the share of social housing is a mere 5% (Mandič 2006).

There are *non-reimbursable rent subsidies* for young families that may be as high as 80%. A young family qualifies for a subsidy if it resolves its housing problem on its own by purchasing, constructing, reconstructing or changing the purpose of existing premises or buildings (the subsidy is granted for a maximum of eight years and totals EUR 300 per family member¹³²). A young family resolving its housing problem by renting market housing after one of the parents has completed studies is entitled (after a means test) to a market rent subsidy for a maximum of two years.

According to the amended Housing Act, rents will be subsidised for those renting at market prices and waiting for social housing for a long time, so long as their income is low enough. In July 2007, the Act amending the Act on the National Housing Savings Scheme and Subsidies for Young Families Solving their Housing Problem for the First Time was adopted. It upgraded previous housing options with the aim of providing subsidies to families with children and single parents with a completed university or college education unable to obtain social housing or purchase a house or apartment because they do not have a permanent job or sufficient savings. They can now obtain a subsidy for buying or building a house or for renovating an existing building (MoLFSA, 2008).

Information on the housing conditions of the Roma population is scarce. Some estimates show that, on average, housing standards of the Roma are much worse than that of the rest of the population. Relatively large numbers of Roma live in unplanned settlements that lack even basic communal facilities and so provide bad and unsuitable living conditions. Expert and financial help is provided in the form of the planning of Roma settlements and social housing (Stropnik et al., 2003).

In Slovenia, homelessness among families with children is not an issue. Occasionally, individual cases occur. The reason for a sudden loss of accommodation is often the inadequate regulation of a tenant's status, resulting in evictions (Stropnik et al., 2003).

¹³² In practice this means that, for example, a young family with three members receives the following subsidy: $3 * 300 * 8 = \text{EUR } 7,200$.

Elementary education

All pupils are entitled to a *subsidy for public transport*. If their school is located more than 4 km from their home, pupils are entitled to *free school transportation*. Children from socially and economically deprived families are entitled to *subsidised school meals*. These children accounted for around 37% of all pupils in elementary schools in the school year 2008/2009. There are *textbook funds* in elementary schools. Starting from the school year 2008/2009, there is no lending fee and textbooks are available for all pupils (from the first to the ninth grade) (Ministry of Education and Sport...). Families have to pay for all additional - however compulsory - activities, like school trips, sports days, and a week of "school in nature" (in the mountains, skiing, or coastal resorts), though children from deprived families may be subsidised by local communities or be exempt from payment.

Upper secondary education

Upper secondary education is free in public schools. All upper secondary students are entitled to a *subsidy for public transport* ranging from 7% to 70% of the monthly cost (depending on family income and distance to school). In the 2006/2007 school year, 32% of upper secondary students (from s deprived families) were entitled to subsidised school meals. From 2008/09, upper secondary school students are entitled to a *subsidy (from the state budget) for school meals* of EUR 2.42 per school day attended. In practice it means that secondary school students are entitled to one free hot meal a day.

A new Scholarship Act was implemented in September 2008, establishing an income threshold¹³³ for entitlement to state *scholarships* of 65% of the minimum wage. Such educational grants not only make education at secondary and university level (more) affordable for children from low-income families, but they also contribute to the long-term alleviation of poverty and social exclusion among these children and to breaking the intergenerational cycle of poverty.

In 2008, scholarships were granted to 34,500 people, of whom 21,469 were secondary school students and 12,531 university students, the value for secondary school students amounting to EUR 144.93 per month.

School drop-out

The rate of school drop-out has tended to decline in recent years, from 4.4% in the school year 2000/2001 (MoLFSA, 2005) to under 1% in 2006/2007. Research has shown that drop-outs tend to be from low socio-economic status families, with parents with low education levels and low motivation and to have a poor relationship with their parents.

Health care

Basic and hospital-level health care is relatively evenly distributed geographically and accessible to everybody (MoLFSA, 2008). The major problem is a shortage of paediatricians and school doctors (MoLFSA, 2005). All children in Slovenia up to age 18, and longer if in regular schooling, are covered by compulsory (basic) and supplementary health insurance. This means that they are also exempt from supplementary payment for health services and prescriptions. Preventive activities in primary health care include examination of newborn babies, pre-school and school children, young people and students, while all children have annual dental check-ups (MoLFSA, 2008).

¹³³ Income per family member must not exceed 60% of the minimum wage for applicants attending school in the place of their permanent residence or 60-65% of the minimum wage for applicants attending school outside their place of permanent residence.

Child protection

Children with disabilities

The majority of children with disabilities, particularly those with mental disabilities, live at home. However, institutional care and day care are also available (MoLFSA, 2005). Institutional care in social welfare education institutions is free of charge for all. Parents of children with disabilities have access to support arrangements, which help them to reconcile family and work obligations and to remain in the labour market.

An allowance for nursing a child (of around EUR 99 a month or EUR 199 for those with severe disabilities) is available which is universal and independent of income to cover the higher costs associated with the care of the seriously ill and children those with physical or mental disabilities. Entitlement to the allowance does not exclude the right to receive child allowance.

Partial payment for lost income is payable to a parent who stops working full-time to care for a child with a serious mental disability, equal to the minimum wage (or a proportion of it according to the hours worked). Parents are also entitled to a higher *tax allowance* if their child requires special care.

Children with disabilities are included in the mainstream education system. Pre-school day-care centres provide expert help for children with special needs. Children with disabilities or impairments are also entitled to up to three hours of special teaching assistance per week and those with a more severe physical impairment to a permanent attendant. Children with a moderate or severe mental development disability are placed in special classes (developmental classes), which form a part of the regular pre-school day-care centres. Children with special needs are also entitled to free transport.

Roma children

The Roma population face a higher risk of social exclusion and/or poverty than others. Their problems are often complex and need to be tackled by a mix of different policy measures (including in respect of employment, housing, and social and health care services (MoLFSA, 2008). The Roma are not a large ethnic group in Slovenia, amounting to under 0.2% of the population of (according to the 2002 population census). Nevertheless, the Programme for Children and Youth 2006-2016 (MoLFSA, 2006) stresses the need for special care as regards Roma children. The basic goals are to achieve an improvement in their social position, to ensure their social inclusion and to give all of them regular health examinations and to ensure that they receive the usual vaccinations.

Measures have been taken aimed at broadening their educational opportunities by positively discriminating in their favour in both pre-school childcare and primary education. Special standards have been established for class sizes (no more than 16 children in a Roma class and no more than 21 if three Roma children are included). Roma children are also included in after-school day care and some after-school classes are intended for Roma only, though most are integrated into regular after-school day care classes.

Centres for social work organise activities aimed at integrating Roma into the life of a community, self-help and solving their particular social problems. Preventive programmes are also organised in health care (Stropanik et al., 2003).

For the future coordination of the Roma community's special rights, the National Programme of Measures for the Roma was adopted in December 2008. The measures are aimed at improving their situation in the education system, raising their education level, formulating a suitable scholarship policy, integrating them into employment, preserving and developing the Roma language, supporting cultural activities, resolving spatial planning issues concerning Roma settlements and provision of better housing (MoLFSA, 2008).

Other

There are social services for families with problems such as alcohol or drug addiction and families with children in need of support¹³⁴ and there has been an increase in the number of state-subsidised family-support service programmes (Kobal, 2002). There is also a network of maternity homes and shelters for women and children, who are victims of violence, as well as regional youth crisis centres.

Participation in sport, recreation, social and cultural life

Those with a poor financial status and those with a physical disability are exempt from the payment of radio and television subscription fees, provided they have been granted assistance and attendance allowances (MoLFSA, 2008). Subsidised or free programmes and activities organised by not-for-profit and volunteer organisations include: creative workshops, trips, activity holidays, sports activities and cultural programmes for children from deprived families to contribute to their personal development; the organisation of leisure activities; (therapeutic) summer camps for children from dysfunctional families, emotionally affected children, those with behavioural problems and those from deprived families. There are also free summer holidays for families with children with disabilities who otherwise would not be able to afford them and school-holiday activities for socially excluded children.

3. Conclusions

The at-risk-of-poverty rate for children in Slovenia is about the same as for the overall population and (significantly) lower compared to children in the EU-25 as a whole. The rate for children in single-parent households is about three times higher than the average for all children. Family policy measures have undoubtedly alleviated the unfavourable economic circumstances of many families with children.

There are several major reasons for the relatively low risk of poverty among children in Slovenia:

- ✓ The fact that earnings are fully compensated for one year of parental (maternity, paternity and childcare) leave, so that there is no decline in income after childbirth, while in addition, direct and indirect public transfers cover a significant part of the costs of children.
- ✓ The high female employment rate, so that there are usually two incomes per family even when there are small children, and the fact that women usually work full-time.
- ✓ The wide availability and affordability of pre-school childcare, enabling mothers to work.
- ✓ The efficient targeting and relatively high level of benefits which redistribute income so as significantly to reduce poverty and income inequality (Stropnik and Stanovnik, 2002).
- ✓ A political and public consensus on the need to support families with children, encouraged by a very low fertility rate and a consequently ageing population.
- ✓ The low average number of children per family (1.25 according to the 2002 Population census).

¹³⁴ http://www.mddsz.gov.si/en/areas_of_work/social_affairs/social_security_services/help_to_family/

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Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

Finland

Markus Jäntti
Swedish Institute for Social Research, Stockholm University,
S-10691 Stockholm, Sweden.

markus.jantti@sofi.su.se

1. The nature of child poverty and the underlying factors

1.1 The children affected and their characteristics¹³⁵

Overall poverty

In 2007 the overall at-risk of poverty rate (henceforth “poverty rate”) of children in Finland was 11%, well below the EU average of 19%. A comparison of the poverty rate of children with that of the total population is affected by the definition adopted, probably most importantly by the equivalence scale used and the poverty cut off point. With this caveat in mind, the poverty rate of Finnish children is lower than that of the overall population, whose poverty rate is 13%, while in the EU as a whole, it is higher (around 3 percentage points higher).

A somewhat surprising fact is that the youngest (under 3) and oldest (12-17) children have the highest poverty rates – 13% and 14.5% respectively. The poverty rate of 6-11 year olds is the lowest at 8%. This U-shaped pattern is partly due to use of the modified OECD scale, which assigns children aged 14 and over the same weight (and implicitly assumes the same income needs) as adults. For example the income needs of a lone mother and a 15-year old child are rated as high as those of a childless couple despite the fact there is only one potential earner in the former case and so a lower overall level of income. Interestingly, the EU average increases as the child’s age increases. The higher poverty rate of Finnish children under 3 is likely to be accounted for in part by their younger than average parents and the strong inclination of mothers of young children not to work (see below).

The lower poverty risk of children compared to the total population in Finland is not solely due to where the poverty line is fixed. The poverty rate is also lower at 40%, 50% and 70 % of the median as well as at 60% (the difference being 0.7, 1.4, 2.1 and 1.7 percentage points). The poverty gap of children is also lower than that of the total population and has the same U-shaped pattern as the poverty risk.

Intergenerational persistence

Studies of intergenerational persistence in Finland suggest that, compared to non-Nordic countries, Finland has relatively low persistence of income between generations. A fairly typical measure of this is the intergenerational elasticity (IGE), which measures the expected percentage difference from a given percentage difference in the income of fathers. For instance, if the IGE is 0.5, this means that 10% higher parental income is expected to be associated with income of children. In a recent survey of the literature, Björklund & Jäntti (2009) suggest the intergenerational elasticity of father-son pairs in Finland is around 0.27, which can be compared to about 0.45 in the United States (see also Solon, 1999; Corak, 2006).

The difference between the Nordic countries, Finland included, and the United States, is particularly pronounced among sons of the most disadvantaged fathers. Jäntti et al. (2006) estimate the likelihood of sons of the poorest fifth of fathers ending up in the lowest fifth and in the richest fifth of the population.

135 This study draws on a recent publication, Lammi-Taskula et al. (2009), contains several research chapters that examine the well-being of households with children in Finland. Salmi et al. (2009) examines the economic well-being of all children and Pylkkänen (2009) looks at lone parent households. Statistics Finland has also recently published a compilation of statistics relating to children, including information about their households’ income and consumption levels (Tilastokeskus, 2007). EAP-FIN (2007) is a well-argued set of propositions by NGOs to combat child poverty, none of which are likely to be implemented as policy.

About 28% remain in the lowest fifth in Finland, compared to 42% in the US, and 11 % rose to the richest fifth, compared to 8 % in the US.

These differences are measured for sons born in the early 1960s. However, there is some information about both how intergenerational persistence has changed and why. In particular, Pekkarinen et al. (2009) examine the IGE for men born before the implementation of comprehensive school reform – which increased the length of compulsory schooling by one year and postponed the “tracking” of children into academic and non-academic streams from 11 to 16. They find that the IGE was reduced (depending slightly on the exact details) from 0.296 to 0.230. This decline of 0.066 is comparable to the country differences that are reported among developed nations. Only those born in 1966 and after had the advantage of the reformed nationwide comprehensive school system and we do not know how intergenerational persistence has developed for those born in the 1970s and later.

Studying intergenerational persistence among women is complicated as the institutional factors that affect the labour market behaviour of women are very different and have changed differentially in different countries. One study, Raaum et al. (2007), finds that once family circumstances are taken into account, Nordic women tend to exhibit less intergenerational persistence than women in either the UK or the US. In particular, the earnings of their husbands or partners affect women’s involvement in the labour market less in the Nordic countries, which lessens the extent to which women’s earnings depend on those of their parents.

The evidence, therefore, suggests that while there is some intergenerational income persistence in Finland, it is small compared to that in other developed countries and that education policy has further mitigated that dependence.

Determinants of child poverty

As noted above, poverty among children in Finland is more common among those under 3 and 12-17. Child poverty is likely to decrease as the age of the father increases and follow the same U-shaped pattern with regards to the age of the mother . However, having a parent below 30 increases the risk of child poverty significantly (by 35% for a father under 30 and 45% for a mother), as in other countries across the EU.

Family structure is an important determinant of the risk of poverty. Children in lone-parent households have close to twice the poverty risk of all children, which mirrors the EU average. In Finland like other EU countries there is also a greater risk among children in families with 3 or more children..

In Finland, the employment of parents w is a strong determinant of child poverty. The relative poverty risk of children with parents who were not employed at all during the year was close to 5 times that of all children, where as those of parents who worked a full year had a relative poverty risk of only 0.32. This gradient is steeper than the EU average but in Finland fewer children have parents who are not in employment or work relatively little than in other countries.

The relative poverty risk of Finnish children decreases strongly with parental education. The risk of a child with a father with tertiary education is only 40% of the average for children while for a child with a father with a low level of education, it is 39%. When both parents have low education, the poverty risk is more than twice (2.2 times) that of children on average whereas if both have high education it is close to half that risk - 0.53.

There is no substantial difference between the risk of poverty in urban and rural areas, which is also the case in the rest of the EU. While there is an increased risk of poverty for children whose parents suffer from a long-standing illness or condition this does not appear to be an important determinant of child poverty as a whole.

Accordingly, children living with parents with a low education level have a much higher risk of poverty than average in Finland. Living with a lone parent is also a major determinant of child poverty (see Gornick & Jäntti, 2009).

1.2 Trends

Estimates of child poverty trends in Finland stem from the Income Distribution Survey (IDS) conducted annually by Statistics Finland since 1987. The IDS has been the underlying source for both the Finnish ECHP and EU-SILC. While the exact definitions of disposable income in the IDS, ECHP and EU-SILC data vary; the trend data reported here rely on the IDS definition that has change little since the early 1990s. It is also reasonably close to both the ECHP and EU-SILC definitions.

While the poverty of children in Finland is lower than in many other countries, child poverty has increased rapidly since the mid-1990s. The government noted in its mid-term assessment that child poverty has increased from about 5% to 12.3 percent between 1995 and 2005 (Valtioneuvosto, 2009). A later assessment using 2007 national data suggests a further increase to 14% (Salmi et al., 2009).

The increase in poverty among children is ascribed to an increase in overall inequality. However, that increase in overall inequality is in turn partly due to political decisions taken to reduce income transfer programmes in the wake of the 1990s economic depression Kosunen (1997) and of the movement to increase work incentives later on Kannustinloukkutyöryhmä (1996). The impact of political decisions on the distribution of income, in particular for the worst off, has been dramatic. Honkanen et al. (2007) examine a widely used decomposition of overall inequality (the ratio of the natural logarithm of the 9th decile to the first), which measures income distribution differences at the top compared to the bottom. They find that of the overall increase between 1995 and 2004 in inequality, about seven-tenths could be accounted for by changes in legislation on taxes and transfers (Honkanen et al., 2007). In other words, the bulk of the relative decline in the income of those in the bottom decile is accounted for by legislative decisions rather than changes in underlying circumstances. While these estimates relate to the overall population rather than being specifically targeted at families with children, the nature of the Finnish welfare system suggests that this relative decline is widely shared by children too.

The link between child poverty and lone parent families is well established. Children with lone parents had roughly twice the risk of poverty of all children – 10% – in 1995. By 2007, the proportion at risk was 25% (Valtioneuvosto, 2009, p 88).

1.3 Absolute poverty

Material deprivation

Although there are no estimates of the relative number of children in absolute poverty in Finland, data from the EU-SILC on material deprivation provide some, if limited, indication of this. The material deprivation of children, as measured by the proportion of households in which they live that are unable to afford three of more items of a list of 9 basic goods and services in common use is 9.8%, marginally above the average for all households (9.4%) .. Around 4% of children have both income below the poverty threshold and are materially deprived on this measure., around half the average in the EU as a whole.

Persistent poverty

Longitudinal data from the EU-SILC for the 4 years 2003-2006 give an insight into the extent of persistent poverty among children. These show that around 64% of children who were at risk of poverty in 2006, in the sense of having income below 60% of the median, also had income this low in at least two of the preceding three years (the measure of persistent poverty used as indicator of this at EU level), This is around the average for the 10 countries for which these data are available and implies a persistent poverty rate of some 6.7% among children, slightly higher than in Sweden in which the proportion of children at risk in 2006 is around 1 percentage point higher).

2. Impact and effectiveness of policies in place

2.1 Policy impact of transfers

Income transfers are frequently targeted at families with children, even when not considered part of family or child-related benefits. For instance, households with children receive 1.6 times more overall social transfers (excluding pensions) than their share of population share. This “excess share” of social transfers is partly due to child-related conditions attached to general social transfers (i.e. the presence of children result in larger payments) and partly because households with children are more often in a vulnerable position. The Finnish “excess share” of social transfers is less pronounced than the EU average, which reflects the fact that even if children are taken into account when the size of the transfers is determined, often children do not affect eligibility.

Households with children aged under 6 are overrepresented as recipients of both types of transfer, in the sense that they receive more than their share of total children, and more so than the EU average. Interestingly, lone-parent households receive slightly *less* child-related transfers than their share of population while they receive slightly *more* social transfers overall, in both cases much less than the EU averages. Transfers in Finland are very much geared towards families with three or more children, who receive a much larger share of payments than their share of population, though the extent to which this is the case is still less than the EU average.

Transfers in Finland are by contrast relatively well targeted on children in households at risk of poverty, which receive more than their share of population and more so than in the rest of the EU on average. On the other hand, transfers go less to children in households with low work intensity than the EU average, though still more than their share in the population. Overall, total transfers go more to children in migrant families than their share of population and more so than the EU average.

Transfers are an important part of household income in Finland, especially for families with children (Panel B). While general social transfers account for 20% of income of all household, family benefits add a further 12% to the income of households with children, bringing the overall share of transfers to one third, larger than the EU average (a quarter).. (It should be noted, however, that most social transfers in Finland are treated as taxable income, so part of their large share is due to measuring them in gross rather than net terms).

Both child-related and other transfers are important components of income in households with low work intensity. Jobless households with children, in particular, receive 87% of their income from social transfers. The share of transfers in household income declines very rapidly and is less than 10% once parents are in full-time employment. Transfers are especially important for households where both parents are born outside of the EU, reflecting the disadvantageous employment position of those born outside the EU.

In terms of the poverty-reducing effect of transfers, both child-related and overall social transfers appear relatively effective (Panel C and C ibis), with a considerably larger effect in Finland than in the EU on average.. The effect in reducing the risk of poverty is reasonably similar for children in different household types (the exception being the “other” category).

The effect of transfers in reducing the risk of poverty for children in households with different levels of work intensity decline markedly as work intensity decreases, reflecting the fact that households with higher work intensity tend to have income closer to the poverty threshold.. The effect of transfers in reducing the risk of poverty among children with migrant parents is, however, strikingly in both absolute terms and relative to the EU average.

2.2 Overall policy approach

The Finnish policy approach to child poverty reduction is outlined quite concisely in Jalava (2007) and in Hiilamo (2008), which discusses the approaches taken in all Nordic countries. Child poverty in Finland is discussed in a wider international context in Gornick & Jäntti (2009).

Finland has an extensive set of income transfer programmes, some of which are directed towards supporting families with children in general and some, while contingent on other factors, such as unemployment or low income, are larger if children are present, as noted above. The levels of many transfers were cut in the wake of the severe economic recession in the early 1990s and have not been raised back to their earlier levels in real terms. Further cuts were made to many benefits in 1996 as part of an effort to increase work incentives. Some benefits have since been raised somewhat, especially those targeted at low income families with children. Major changes in transfer programmes are likely to follow from the ongoing broad-based exercise of reforming the whole system of basic social transfers, the so-called SATA-committee¹³⁶, which is expected to complete its work in late 2009.

Main features of policy

A reduction in child poverty is one of the goals of the current Finnish government (Valtioneuvosto, 2007b, p 55). The government strategy document (*Valtioneuvosto*, 2007a, pp 44-45), which outlines in greater detail how the government programme is to be implemented, notes that the risk of child poverty, as measured by the EU, has increased from 4.9% in 1990 to 12.3% in 2004. It further notes that there is a greater risk of child poverty in lone-parent households, and in households with young as well as many children. The increased reliance of lone-parent families on social assistance is also noted. Neither government document attaches any specific quantitative targets to the reduction in child poverty. The Government's Child and Youth Policy Programme (Ministry of Education, 2008, p 50) also notes the need to pay particular attention to low-income families with children. While no specific targets are listed, the programme includes the need for income support of children in low income households within the general framework of making sure that all children have equal access to societal goods and services.

The policies listed as combating child poverty include an increase in the lone-parent supplement to child allowances and the raising of the minimum levels of parental benefits to that of unemployment assistance (*työmarkkinatuki*). The mid-term assessment of the government *Valtioneuvosto* programme (2009, p 101) notes that, in addition to from the increase in the lone-parent supplement, child benefits to families with 3 or more children were also increased. The home-care allowance, i.e., income support to those taking care of small children at home (*kotihoidontuen hoitoraha*) was increased and public alimony payments were also raised.

It is probably fair to say that, while a substantial part of income transfers are not specifically targeted at low-income families with children, many different types of transfer programme contribute to reducing child poverty. Such programmes include unemployment insurance and assistance schemes, parental leave, housing allowances, social assistance and sick leave.

The thrust of government policy in the past decade or so has been to increase participation in paid work, which has included the provision of childcare for the parents of young children. This general tendency has in part been counteracted by home-care support, which pays for the care of small children outside of the formal day care system. While in principle this is flexible, in practice, it is a subsidy that is contingent on the mother staying at home and strongly discourages mothers from working.

136 The committee consists of one central committee and several sub-committees and involves close to 100 politicians, civil servants and members of both employers' and employees' organisations.

Clarity of objectives and targets

As mentioned above, the objectives relating to child poverty are quite vague, the aim simply being to bring about a reduction. The main thrust of the current government's policy has been to increase the support to children of lone mothers through increased child allowance supplements and increased and more effectively distributed public alimony, plus a rise in child allowances to large families. As these groups are particularly at risk of poverty, these measures are likely to be effective in reducing the overall number of children at risk. There are no estimates as yet, however, of their effects.

2.3 Income support

Income support is provided through a wide range of programmes in Finland. Very few of them are specifically targeted at families with children, but all of them recognise the presence of children as grounds for reduced means tests and/or increased generosity of benefits. Moreover, many programmes explicitly make lone parenthood a criterion for increased support.

2.4 Access to the labour market and income from employment

Main programmes

The main ways to support access to employment for parents is through parental leave legislation, public support for childcare and unemployment benefits. An important element in all of these is to provide income for parents who cannot earn enough to support themselves, but also to maintain an attachment to the labour market in the event of having children or becoming unemployed.

Parental leave: The purpose of parental leave schemes is to allow parents to retain an attachment to the labour market – or their employer – when they have a child.

Maternity allowance/leave: of 105 days (excluding Sundays and other holidays), which must start between 50 and 30 days before the expected date of the birth of the child. Collective agreements in most cases require the employer to pay a full salary during maternity leave, in which case the allowance is paid to the employer concerned.

Paternity allowance/leave: consists of up to 18 days of leave, to be taken immediately following the birth of the child. During leave, the employee receives no salary and the allowance is paid to the father.

Extended paternity leave: a father is eligible to an additional full month's leave if he has taken at least 12 days of paternity leave.

Parental allowance/leave: of 158 days, which can be taken by either parent, or both on a part-time basis, following maternity leave. In the case of multiple births, the allowance is extended by 60 days for each additional child.

Subsidised parental leave in one form or another lasts up until the child is 9 or 10 months old, depending on whether the extended paternity leave is taken up or not. Parents are also entitled to take care leave without pay (but with a guarantee to be able to return to their job) up until the child is 3 years old. Parents can also be granted a subsidy for working part time if this can be shown to be for caring for a child at home.

Childcare: The care of children under 6 (after parental leave) consists of several alternative and partly overlapping programmes. Children under 3 have a so-called subjective right to public childcare, in that

everyone that asks for a place in a publicly provided, or publicly subsidised, childcare facility is entitled to receive it.

Childcare is provided or supported in three main ways. Parents may place their child in a municipal childcare centre or in a private, but municipally regulated, care facility, in which case they receive an allowance towards the costs. In both cases, the public sector subsidises childcare, the size of the subsidy depending on family income. They may also choose instead to take up the child home care allowance. The likelihood that a child receives childcare increases greatly as they get older. In 2007, one in four (27%) of children under 3 received some form of childcare. Detailed data for 2005 (Tilastokeskus 2007) shows that the proportion is around 2% for those under 1, 33% for those age 1-2 and 49% for those aged 2-3. About 80% of children aged 3-5 receive formal care. Children in households at risk of poverty are less likely to receive such care – only 12% of those under 3 and 70% of 3 to 5 year olds.

Around one half of all children under 6 in two-parent families have both parents working, and 90% if they receive formal day care. One half of all children under 6 in lone-parent families have a working parent and three quarters if they receive formal day care (Tilastokeskus 2007, pp. 8-9). The home care subsidy, and the associated possibility for leave of absence until the child is 3, is widely believed to reduce the employment of women with young children. Once the youngest child is over 3, the employment rate of women tends to increase markedly.

Access to the labour market

Public childcare in Finland is geared towards supporting the employment of parents. The policy, however, could be better coordinated with that of reducing child poverty. For instance, the cost of childcare is related to income. If family income is less than EYR 1,500 a month, no childcare cost is charged. The income limit is not coordinated with the risk of poverty threshold. A two-parent family with two children under 14 has a poverty threshold of EUR 2,943 a month and a lone parent with two young children, one of EUR 1,743 a month, so many children in households at risk of poverty will be charged for their day care (see Salmi et al., 2009, p 79). Moreover, the increase in childcare costs with income means that on moving from unemployment to employment, the marginal effective tax rate of a household may well be pushed up by the increase in childcare costs.

With one major exception, social policy in Finland has since 1996 been strongly geared to strengthening the incentives to work (see Honkanen et al., 2007). While there are still many cases of marginal effective tax rates for someone moving into employment “that exceed 100 percent as a result of the withdrawal of public transfers and increase in direct taxes as earnings rise so that net disposable income actually *decreases* as someone becomes employed. Both the average rate and the incidence of very high marginal effective tax rates have been brought down in recent years. An important element in this has been to increase allowances against tax on earnings but not on transfer income (*ansiotulovähennys*).

The work incentive problem has to a large extent affected families with children, since these are also the main recipients of multiple income transfers. In this sense the efforts to increase work incentives can be said to have been targeted at families with children. However, as discussed above, this also means that policy has specifically and intentionally increased income differences at the low end of the distribution scale and has so contributed significantly to increasing child poverty.

Ensuring adequate income from work

There is no legislated minimum wage in Finland. Collective agreements cover the majority of workers and these agreements generally set the level of minimum wages. As a consequence, the lowest wage levels vary across industries. Full-time work at even the lowest wages is in general enough to lift families with children above the poverty threshold when combined with universal child allowances and means-tested benefits. The risk of poverty among those in work is, therefore, chiefly concentrated on parents in less than full-time employment.

2.5 Access to other enabling services

Housing and the environment

In Finland housing costs are subsidised in two ways. Housing allowances are transfers that support low-income households and can be given to both those renting accommodation and homeowners. The allowance is larger if children are present. Interest paid on housing debt can be deducted up to a maximum amount from taxable income, which subsidises owner occupation for middle and upper income households. This subsidy is of course by its nature not well targeted on low-income households. Housing allowances, by contrast, are a major reason for high marginal effective tax rates for those moving into employment and are a likely target if further reductions in perceived work disincentives are to be achieved (Honkanen et al., 2007).

Other policy areas

Government policy measures that affect children and young people are combined in the p programme mentioned above (Ministry of Education, 2008). The programme covers a wide range of policy areas and objectives, including IT, community participation, welfare, juvenile delinquency, access to education and employment, social services, access to health and health equity and the economic well-being of families. Several Ministers are responsible for the programme at government level. The programme was first adopted in 2007 and it is too early to assess its effects.

3. Conclusions

The risk of poverty children in Finland is low by international standards but high by historical standards, having almost trebled in the past 15 years.

While transfers are relatively effective in reducing the risk of poverty, they are far lower than in the early 1990s. The increase in the risk among children can, therefore, at least in part be attributed to lower government transfers. Reductions in their real value were motivated by fiscal reasons as well as by the aim of increasing work incentives.

Clearly, an increase in the value of transfers will lead to lower child poverty. Given the substantial budget deficits which are likely to result from the current recession, it is unlikely that such increases will be forthcoming. The consensus among economic forecasters is also that unemployment is likely to continue to increase for quite some time even if the economy were to pick up soon. Increased unemployment is almost inevitably accompanied by withdrawal from the labour force – i.e. by increased rates of inactivity. As many of those concerned will be parents, this is likely to further increase the risk of child poverty. While policy is relatively effective at reducing this risk, it has been far less so for households with very low work intensity. In consequence, reducing the child poverty that results from labour force withdrawal and long-term unemployment is likely to be a major challenge for policy in the next few years.

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Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study

United Kingdom

Jonathan Bradshaw
University of York
Department of Social Policy and Social Work
jrb1@york.ac.uk

1. The nature of child poverty and the underlying factors

1.1 The children affected and the underlying factors

The main national source of data on the prevalence and characteristics of child poverty in the UK is the *Household Below Average Income* (HBAI) series derived from the Family Resources Survey (DWP 2009). It is preferred to EU SILC for national analysis because the sample is much larger (25,000 households). The equivalence scale and the poverty threshold are the same as for the EU estimates (less than 60% of the median equivalised income using the modified OECD scale), though the definition of a child is slightly different – child 0-16 or 0-18 if in education. HBAI reports child poverty rates before and after housing costs but here only before housing costs estimates are given.

Table 1 provides a breakdown of the child poverty rates and composition for 2007/8, the latest data available. The overall child poverty rate was 23%. Child poverty varies by:

- Family type: The risk of child poverty is much higher in families headed by a lone parent (36%) and we know that the UK has a comparatively high proportion of families headed by a lone parent (Bradshaw and Chzhen 2009). However most children in poverty are in two parent families (62%).
- Employment: The higher poverty risk for a child in a lone parent family is partly due to the fact that lone parents have a high level of worklessness and if they are employed it is often part-time. Only 57% of lone mother families have someone in employment, and although this is an increase from 43% in 1997, it is a low proportion as compared both with other types of household and that in other EU countries. The risks of a child being poor are much higher in workless families – whether lone parent (55%) or couple families (68%). They are also higher in families with only one earner (30%). In order to guarantee (almost) that a child is not in poverty in the UK there is really a need for two parents to be in employment. Indeed 57% of all children in poverty have a parent in employment (though not necessarily full-time employment). As shown below, working full-time on the minimum wage and receiving all the in-work benefits and tax credits available is not a guarantee that a child will not be in a household with income below the poverty threshold.
- Family size: The odds of a child being at risk of poverty are much higher if she or he has three or more siblings (33%), though 59% of children at risk have only one or two siblings. Bradshaw et al (2006) found that family size interacts with other factors that drive up the risk of poverty, especially employment and ethnicity.
- Disability: Having a parent or child with disabilities in the household increases the chances of a child being at risk.
- Ethnicity. Child poverty rates are higher among certain ethnic groups – especially Bangladeshi and Pakistani (58%). However 77% of children at risk are in non ethnic families.
- Age of the youngest child. The poverty risk is higher (25%) for families with a child under 5, which is probably due to the fact that mothers are much less likely to be employed with a child of this age. (Such a family is also more likely to be a large one). 48% of children at risk are in households with a child under 5.
- Tenure: The poverty rate is higher for children in socially rented accommodation (52% council tenants and 42% housing association tenants) but 42% of children at risk live in owner occupied dwellings.
- Spatial variation. The HBAI series produces a regional analysis of child poverty and this shows that child poverty rates are highest in the North East Region (28%) and Inner London, West Midlands and Wales (all 27%) and lowest in the South East (15%). However analysis at much smaller spatial levels show that child poverty (as measured by the proportion of children in an area

dependent on means-tested-tested benefits) ranges from no children in some Lower Level Super Output Areas to 100% in others. There is also variation at local authority area level with for example 5.9% of children on benefits in South Northampton and 66.4% in Tower Hamlets in London.¹³⁷

Table 1: Child poverty rate and child poverty composition, UK 2007/8

	Child poverty rate <60% median %	Child poverty composition <60 % median %	Composition of all children
Economic status and family type			
Lone parent:	36	38	24
In full-time work	10	2	5
In part-time work	22	6	7
Not working	55	30	12
Couple with children:	18	62	76
Self-employed	23	12	12
Both in full-time work	2	1	13
One in full-time work, one in part-time work	4	4	22
One in full-time work, one not working	18	14	18
One or more in part-time work	54	11	5
Both not in work	68	19	6
Economic status of household²			
All adults in work	8	20	57
At least one adult in work, but not all	30	37	27
Workless households	61	43	16
Number of children in family			
One child	18	21	27
Two children	19	38	45
Three or more children	33	41	28
Disability and receipt of disability benefits³			
No disabled adult, no disabled child	20	67	77
No disabled adult, 1 or more disabled child	26	8	7
In receipt of disability benefits	14	1	2
Not in receipt of disability benefits	31	7	5
1 or more disabled adult, no disabled child	35	19	12
In receipt of disability benefits	28	3	3
Not in receipt of disability benefits	36	15	10
1 or more disabled adult, 1 or more disabled child	33	6	4
In receipt of disability benefits	18	1	2
Not in receipt of disability benefits	43	5	2
Ethnic group (3-year average)			
White	20	77	86
Mixed	25	1	1
Asian or Asian British	45	15	7
Indian	28	3	3
Pakistani and Bangladeshi	58	10	4
Black or Black British	30	5	4
Black Caribbean	25	2	1
Black Non-Caribbean	34	3	2
Chinese or other ethnic group	31	2	2

¹³⁷ <http://www.communities.gov.uk/publications/communities/childwellbeing2009>

	Child poverty rate <60% median %	Child poverty composition <60 % median %	Composition of all children
Age of youngest child in family			
0 – 4	25	48	43
5 – 10	21	29	31
11 - 15	20	19	21
16 - 19	18	5	6
Tenure³			
Owners	14	42	68
Owned outright	24	11	10
Buying with mortgage	12	32	58
Social rented sector tenants	47	44	21
Rented from council	52	26	11
Rented from a housing association	42	18	10
All rented privately	28	14	11
Rented privately unfurnished	28	11	9
Rented privately furnished	29	2	2
Region/Country (3-year average)			
England	22	83	84
North East	28	5	4
North West	27	14	12
Yorkshire and the Humber	26	10	9
East Midlands	26	8	7
West Midlands	27	11	9
East of England	15	6	9
London	23	13	12
Inner	27	6	5
Outer	20	7	8
South East	15	9	14
South West	18	6	8
Scotland	21	7	8
Wales	27	6	5
Northern Ireland	24	4	3
All children	23%	2.9 million	12.8 million

Source DWP (2009)

There are no data on the intergenerational transfer of income poverty but there is evidence on intergenerational mobility by income. There is evidence from the analysis of cohort studies (Blanden and Machin 2007) that the links between the relative incomes of children and their parents appear to have strengthened between those born in 1958 and 1970. This is shown in Table 2.

Table 2: Links between parents' income group and son's earnings 1958 and 1970

Son's earnings at 33/34 (%)	Parent's income group	
	Bottom 25%	Top 25%
In bottom 25%: Born 1958	30	18
Born 1970	37	13
In top 25%: Born 1958	18	35
Born 1970	13	45

Also the links between the income of parents and the educational attainment level of their children may have widened (Blanden and Machin 2007). This is shown in Table 3.

Table 3: Links between parents' income and educational attainment

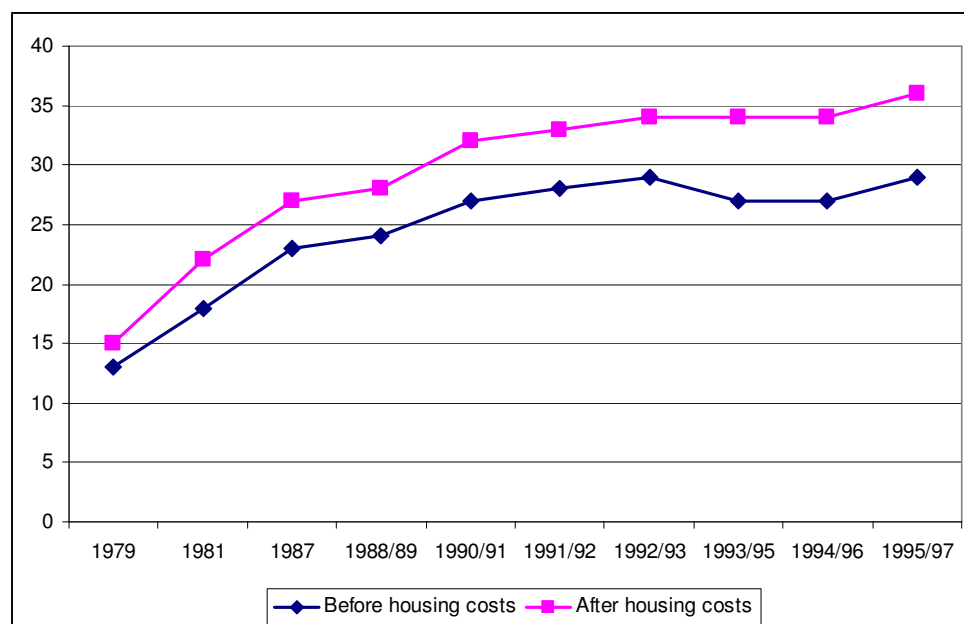
Degree by age 23 (%)	Parent's income group	
	Bottom 20%	Top 20%
Born 1958	5	20
Born 1970	7	37
Born around 1975	11	40
Born around 1979	10	44

Also work by D'Addio (2007) shows that in a comparative perspective the UK has the highest intergenerational earnings elasticity of the 12 countries she covered.

1.2 Trends

From 1961 child poverty rates (using the conventional threshold of 60% of the median) had fluctuated between 11% and 16%, but, as can be seen in Figure 1, the child poverty rate more than doubled between 1979 and 1997.

Figure 1: GB Child poverty rate (% of children in households with equivalised income of less than 60% of the median)



Source: DWP 2009

It is generally agreed that there are three types of factor that led to the increase in child poverty in the 1980s in Britain.

Economic: Unemployment rose sharply at the start of the decade and by 1982 exceeded three million (over 11% of the work force). Towards the end of the decade unemployment fell but rose sharply again in the early 1990s. There were other less cyclical changes taking place in the labour market: it became more insecure, with an increase in part-time, temporary and casual employment, self employment increased and employment became concentrated in fewer households - there was a growth of no-earner and two-

earner households. Earnings became more dispersed, declining for the young and unskilled and increasing for the skilled and older, and especially for those working in the financial services sector – the so-called “fat cats”.

Demographic: There was a growth, in particular, in relationship breakdown, and a resultant increase in lone parent families. Lone mothers unable to get access to employment because of a lack of labour demand or unable to be in employment because of expensive, poor quality or scarce childcare, found themselves dependent on social assistance and their children in poverty. The stresses of unemployment have been shown to be associated with an increase in marriage and cohabitation breakdown. Also unemployed young men (at a high level because of the baby boom generation of the 1960s coupled with a low demand for labour) were not good partnership prospects, and pregnant young women increasingly chose lone parenthood (Rowthorn and Webster 2008).

Policy: The Thatcher government was elected in 1979 on a platform to cut public expenditure, taxation and the size of the state. In the end there were real cuts in expenditure only on industry and housing. Expenditure on the other programmes, including social protection, health and education, continued to rise in real terms. But the real increases were not enough to maintain benefits and services in the face of rising need - from unemployment, family breakdown and an ageing population. In the social protection field there were three measures in particular that helped to drive up child poverty.

- Cuts in housing subsidies, the emasculating of the building programme and council house sales led to increases in real rents and at the same time housing benefits were cut.
- Universal child benefits were not uprated and left to decline in value in real terms.
- Out of work benefits were linked to movements in prices rather than earnings. As the earnings of people in work improved in real terms there was a growing gap between the incomes of those in work and those out of work and dependent on social protection.

All this resulted in a sharp increase in inequality. During the 1980s inequality increased faster than in any other country in the OECD (OECD 2008) apart from New Zealand. Between the mid-1980s and the mid-1990s the UK had the sharpest increase in child poverty of any OECD country and by the time the Labour Government came to power in 1997 it had the highest child poverty rate in the European Union.

In 1999, Tony Blair, the then Prime Minister, announced the government's intention of eradicating child poverty by 2020. New measures were introduced (see below). Child poverty rates began to fall after 1998/99. By 2007/8 500,000 children had been lifted out of poverty and it is estimated that policies already announced but not yet shown in the figures will lift another 600,000 out of poverty in the next year or two.

When Tony Blair announced the child poverty strategy he also set up a process for monitoring its achievements. Since 2001 there has been the annual *Opportunity for all* (DWP 2008) reports. These contain a set of 24 indicators on children which are also targets for government departments. They include indicators covering relative, absolute and persistent income poverty, worklessness, child health, educational participation and attainment, housing, and looked-after children.

The latest results show that 14 out of the 24 indicators have improved in comparison with a base line mainly around 1997 and only 4 have got worse.

Table 4: Opportunity For All indicators for children and young people

Indicator	Covers	Trend since baseline	Direction of latest data
1 Children in workless households	GB		
2 Low income:			
a) Relative	GB		
b) Absolute	GB		
c) Persistent	GB		
3 Teenage pregnancy:			
a) Teenage conceptions	England		
b) Teenage parents not in education, employment or	England		
4 An increase in the proportion of children in disadvantaged	England		
5 Key Stage 2 (11-year-olds) attainment	England		
6 Attainment:			
a) 16-year-olds achievement	England		
b) Schools below floor target	England		
7 19-year-olds with at least a Level 2 qualification	England		
8 School attendance	England		
9 Improvement in the outcomes for looked-after children:			
a) Education gap	England		
b) Not in Education, Employment or Training	England		
c) Stability in the lives of looked-after children	England		
10 16 to 18-year-olds in learning	England		
11 Infant mortality	England and Wales		
12 Serious unintentional injury	England		
13 Smoking prevalence for:			
a) Pregnant women	England		
b) Children aged 11 to 15	England		
14 Obesity for children aged 2 to 10	England		
15 Re-registrations on Child Protection Register	England		
16 Housing that falls below the set standard of decency	England		
17 Families in temporary accommodation	England		

Source: <http://www.dwp.gov.uk/publications/policy-publications/opportunity-for-all/indicators/table-of-indicators/#a1>

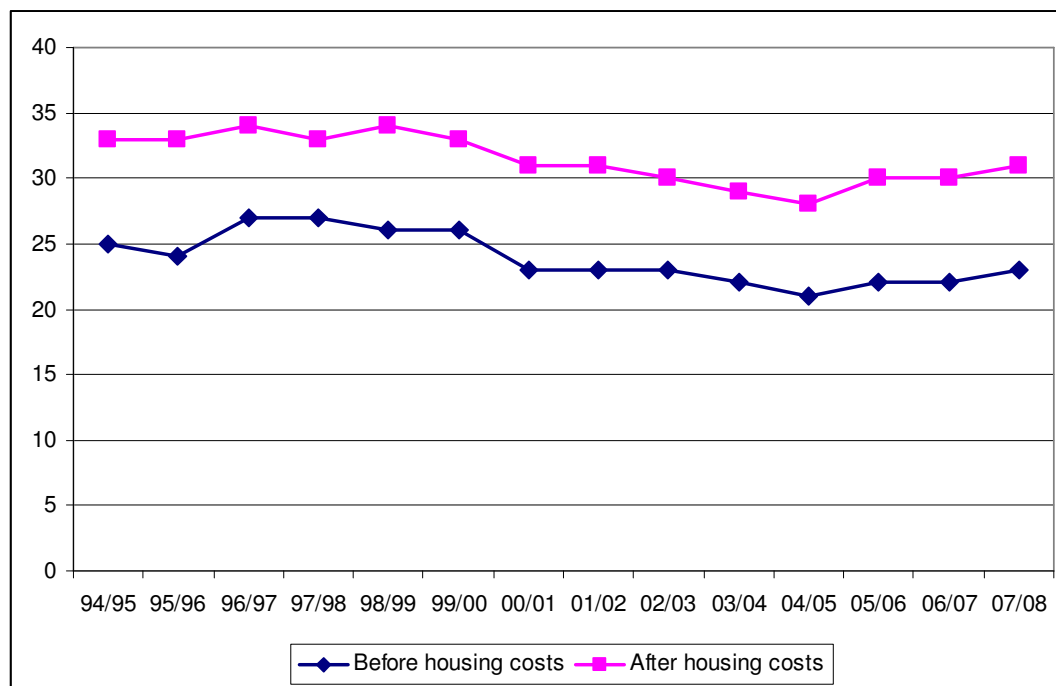
In international comparisons, the UK has also improved. In the OECD comparisons of family spending as a proportion of GDP (which are better than the Eurostat data because they take account of tax expenditures), the UK has moved up the international league table and by 2005 was in third place after France and Luxembourg (<http://www.oecd.org/dataoecd/55/58/38968865.xls>). According to the OECD (2008), child poverty had increased between the mid 1990s and the mid 2000s in most countries – the only exceptions in Europe were Belgium, Hungary, Italy and the UK. The EU comparisons based on EU-

SILC show that the UK no longer has the highest income poverty rate in the EU and does rather better in the league table if economic strain or material deprivation is used as indicators of poverty (EU 2008). Also the UK does rather better using a poverty gap measure than it does using a poverty rate measure.

In many ways this is a remarkable record. If the Government had done nothing since 1997 than simply uprate benefits in line with inflation there would have been 1.7 million more children in poverty than there were in 1997-98 (HM Treasury 2008). Families with children in the bottom quintile of the population will be around EUR 5,000 better off in real terms by 2010. The increases in spending have benefited children at the bottom of the income distribution most (see HM Treasury (2008) chart 4.1).

However in the end the hopes raised by the Blair announcement have been disappointed. The child poverty rate in 2007/8 is still double the level it was in 1979. The Government set itself a number of targets in 1999. It promised to reduce child poverty by a quarter by 2004/5, by a half by 2010/11 and eradicate it by 2020. It missed the 2004/5 target – child poverty fell by 23% before housing costs and 17% after housing costs. It is now almost certain it will miss the 2010 target. There has been no reduction in child poverty since 2004/5 (see Figure 2) and the April 2009 budget announced very minor measures that cannot close the gap. The number of children at risk of poverty needs to fall by 1.2 million to achieve the 2010 target and this will cost an extra EUR 4.5 billion (if it was to be achieved by raising Child Tax Credits). The current estimates are that it will miss the target by 600,000 (Brewer et al 2009).

Figure 2: UK Child poverty rate (% of children in households with equivalised income of less than 60% of the median)



Source: DWP 2009

The child poverty targets are now three fold:

- Reducing the proportion of children on relative low income (less than 60% of the median) to 5-10% by 2020.
- Reducing the proportion of children in material deprivation combined with low income (less than 70% of the median) to a level approaching zero by 2020.
- Continuing progress on persistent poverty to ensure that no child experiences poverty for prolonged periods. (Child Poverty Unit 2009).

1.3 Absolute and extreme poverty

There is no official measure of absolute or extreme poverty used in the UK. Instead there are a variety of alternative measures published.

They are:

- % children below 50% of the median. The percentage in 2007/8 was 12%.
- % children in households with incomes below 60% of the median fixed at a point in time. In 1998/99 terms it was 26% and had declined to 13% by 2007/8.
- % children in households with incomes below 70% of the median and scoring 25% or more on a prevalence weighted list of deprivation items. This measure was introduced in 2004/5 when the rate was 17% - it was still 17% in 2007/8.
- Persistent poverty - % children living in poverty for each of the last three out of four years. This series is derived from analysis of the British Household Panel Survey. In 1997-2000 17% of children were living below the 60% of median threshold in the last three out of four years. By 2003/2006 that had fallen to 10%. Adelman et al (2003) found that 9% of children were in severe and persistent poverty (defined as poor in three or more years and at least one year in severe poverty¹³⁸). Children in severe and persistent poverty were more likely to live in lone parent families who were long term unemployed.

2. Impact and effectiveness of policies in place

2.1 Overall approach

When the Labour Government came to power in 1997 they were at first extremely cautious. During the election they had promised no tax increases and a commitment to stick to the existing Conservative spending plans for the first two years in office. However the bones of an anti-poverty strategy began to be developed which eventually had the following key elements.

Manage the economy to maximise employment. This was a remarkable success. By 2008, the labour participation rate of both men and women were at record levels and 75% overall, unemployment was the lowest it had been for many decades at about 5%. Even the lone parent participation rate had risen from 43% in 1997 to 57% in 2008.

Work for those who can. Economic management to enhance labour demand was associated with a range of supply side policies. Initially these were the New Deals – welfare to work programmes covering young unemployed, lone parents, people with disabilities, older workers and many other groups. Evaluation of these schemes suggested that they made a modest contribution to increased labour supply. So-called welfare reform began to be associated with increased conditionality especially for people with disabilities and lone parents. Unemployed lone parents were expected to go for job readiness interviews with Job Centres when their youngest child was 12, then 10 and in 2010, 7 or over.

Make work pay. A Minimum Wage was introduced in 1999 and was subsequently increased annually by a little more than increases in average earnings. Child benefits were increased in real terms. The system of in-work means-tested cash benefits (Family Credit) was abolished and replaced, initially by Working Families Tax Credit, and then by Child Tax Credits and Working Tax Credits. A new subsidy towards the

¹³⁸ Child and child's parent materially deprived and household income less than 40% of the median.

costs of childcare was introduced in Childcare Tax Credit that now pays up to 80% of the costs of childcare in recognised childcare outlets. There have been improvements in the generosity of the housing benefits, and bonus payments introduced for those moving into employment.

Welfare for those who cannot work: Out-of-work benefits paid in respect of children were improved, including payments in respect of children on Income Support (now taken over by Child Tax Credits). Parental leave was extended and efforts were made to improve the living standards of all pregnant and nursing mothers, through the payment of child benefit after 29 weeks, a Health in Pregnancy payment of £190 (EUR 210), the reform of the Welfare Foods programme in Healthy Start and a 'Sure Start' Maternity Grant of £500 (EUR550) for low income mothers.

Invest in services. Eventually the government began to spend more on services. Initially the main beneficiaries were health and education, then transport and eventually childcare. Public expenditure in relation to GDP which had fallen to 37.0% by 1999 rose to 41.7% by 2007/8 and spending on education rose from 4.3% of GDP in 1999 to 5.6% of GDP in 2007/8 and spending on health from 5.3% of GDP in 1999 to 7.3% of GDP in 2007/8.

Governance: There were also many institutional changes. There is now an independent Children's Commissioner. In a new Department for Children, Schools and Families, there is a Minister for Children and a Child Poverty Unit dedicated to meeting the 2020 child poverty targets. These targets are being enshrined in legislation in 2009. There is a plan to establish an expert child poverty commission; the strategy will be refreshed every three years; and there is to be an annual report to Parliament outlining progress on the targets, implementation and impact of the strategy, and progress on the outcomes of poor children and their families.

2.2 Income Support

The improvements that were made in out-of-work benefits have not been enough to close the poverty gap. Only very recently have lone parents on out-of-work benefits been able to retain any of the child support paid for their children by (mainly) fathers. Not until next year will this be finally disregarded completely.

The tax credit strategy has had its problems. It is basically a means-tested strategy HMRC (2008) estimates that £1.9 billion (EUR 2.1 billion) in Child Tax Credit and £2.3 billion (EUR 2.55 billion) in Working Tax Credit was unclaimed in 2005/6. The take up of CTC is higher for those on out-of-work benefits (91-93%) or those receiving WTC (90-93%) than it is for those just entitled to CTC (71-85%) or just the family element (68-75%). Lone parents are more likely to take up Tax Credits than couples with children. There have also been major administrative problems with the system, leading to huge overpayments resulting in indebtedness.

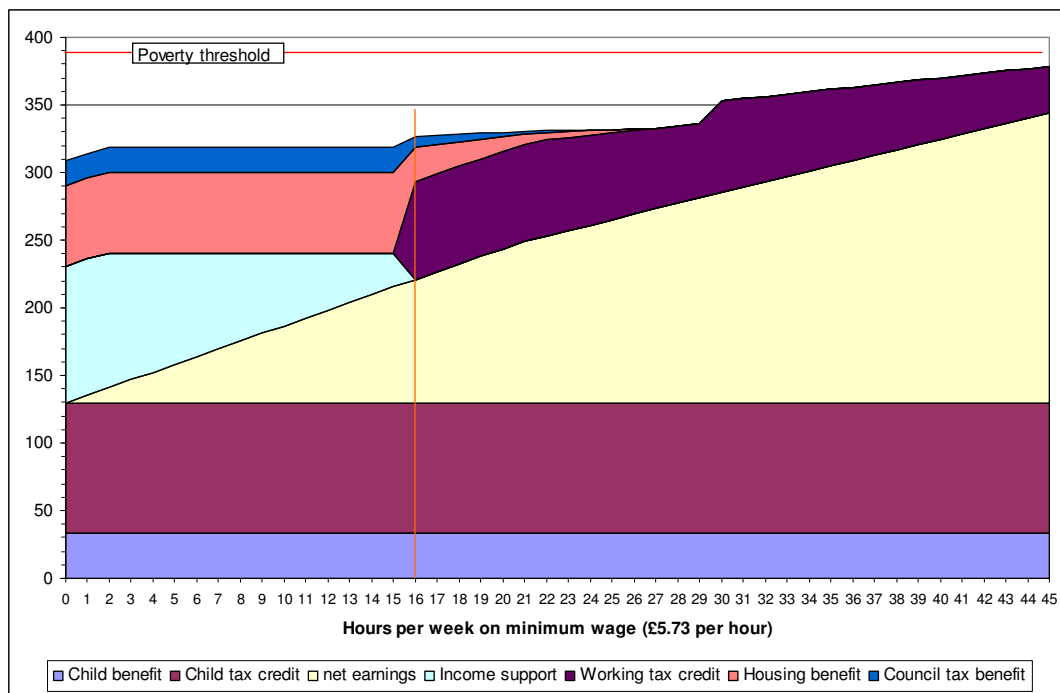
2.3 Access to the labour market and income from employment

The strategy was based on achieving employment targets, which despite the remarkable improvement in the level of employment in the UK, were just too ambitious. In particular the aspirations to increase the labour participation rates of the working age population to 80% and lone parents to 70% were probably never achievable. The proportion of children living in workless families is the highest in the EU (16% in 2007) and fell by only about 3 percentage points between 1997 and 2006¹³⁹.

139 <http://www.dwp.gov.uk/publications/policy-publications/opportunity-for-all/indicators/table-of-indicators/children-and-young-people/indicator-1/>

The improvement in in-work incomes was not enough to guarantee that a one earner family, working full-time on the minimum wage and receiving in-work benefits would be lifted above the poverty threshold. Although in-work incomes had been improved for the low paid, and a substantially increased contribution to income was being made, as can be seen in Figure 3, the minimum wage, child benefits and tax credits were not enough and had not been improved enough by 2009 to lift incomes above the poverty threshold. This is the reason that the latest child poverty figures show that over half of children in relative poverty in the UK have at least one parent in employment.

Figure 3: Net disposable income for a couple plus two children before housing costs by hours supplied at the minimum wage from April 2009. Rent = £60 a week, Council Tax = £18.00 a week



Note: This chart shows a slope between 15 and 16 hours and 29 and 30 hours. This is because we have plotted single hours. In reality there would be a precipice.

2.4 Access to enabling services

The investment in services came too late and some of it was wrongly directed.

- For example much of the huge increase in expenditure on the NHS went to doctors and nurses salaries and on acute medicine, especially on treatment of cancer and heart disease. Only belatedly did the maternity and child health services get some focus. As a result inequalities in infant mortality rates increased, low birth weights remained comparatively high, immunisation rates low and the teenage pregnancy targets were missed. Some health outcomes have become much worse, including obesity and sexually transmitted diseases.
- In education - standards improved, rates of young people staying on in education have increased (partly as a result of the introduction of Educational Maintenance Allowances paid to poor pupils who stay on after 16). However the proportion of young people NEET (not in education

employment or training) has remained remorselessly high nationally and in comparison with other EU countries. In 2008 the proportion of NEET men aged 16-24 was 11% and NEET women, 15%. Also it is arguable whether sufficient of the extra resources went to poor children in poor schools.

- The childcare strategy began rather later in Labour's term in office and began from a very low base. Initially resources were focussed on nursery classes in primary schools. Parents were given a right to a part-time place for all three and four year olds, which was probably of most benefit to better off parents with their own transport. The Sure Start scheme concentrated on areas with high levels of deprivation initially. Although Sure Start children's centres were extended to all areas and there was a more general investment in childcare, it has been a very long haul establishing a service from scratch with an under-paid and under-qualified work force. Also the Child Tax Credit has only paid 80% of childcare costs up to a maximum level - leaving parents to find the balance. By 2007/8 64% of three and four year olds were in school and 54% of 0-4 year olds were in some form of formal childcare by 2006 (ONS 2009).

3. Conclusions

The UK was starting from a very low base. The Labour Government probably underestimated how bad things were. It was not until 2007 that the Innocenti Report Card 7 was published (UNICEF 2007) which showed that the well-being of UK children was the lowest in the OECD. A comparison of the EU 25 countries published earlier Bradshaw et al (2007) had British children 23 out of 25 just ahead of Latvia, Lithuania and Estonia. Both these were based on data from around 2001. In a more recent analysis and using more recent data the UK still comes 24th out of 29 countries in the EU (plus Norway and Iceland) (Bradshaw and Richardson 2009).

At the end of the day the Labour Government failed to will the means to achieve the task. It provided too little, too late. There were too many years when increases in spending on tax benefits for children were less than increases in the poverty threshold. When the big political tests came, too often resources went on the better off rather than poorer children.

- Twice total revenue was reduced by cuts in the standard rate of income tax,
- Once revenue went to raising the threshold on inheritance tax,
- Once revenue was reduced by cutting VAT.

An increase in national insurance contributions was hypothecated to the National Health Service but not until 2009 did the Labour Government at last have the courage to raise the tax rate on higher income tax payers. Until then, the British personal tax system - direct and indirect taxes taken - remained resolutely proportional.

The result is that, after twelve years in office, and despite redistribution in favour of poorer children, inequality remains unchanged.

The Harker Report (2006) concluded "...the major drivers of poverty – such as high levels of wage and wealth inequality – remain considerable impediments towards reaching the 2020 child poverty target, suggesting that far greater changes to the distribution of wealth, earnings and opportunities in society will be necessary before child poverty is finally eradicated".

One obvious constraint on child poverty policy is public opinion, Gordon Brown, when Chancellor, declared that the Government cannot go much further in tackling child poverty in the UK unless it is put under more pressure to do so; he contrasts this with the regular displays of demonstrable public concern over Third World debt and poverty. There is evidence (Fabian Commission 2005) that there is some way to go in changing public attitudes towards, and improving understanding, of child poverty. A review by Kelly (2008) for the DWP concluded "These findings demonstrate the relatively low awareness of the extent of, and reasons for, child poverty in the UK, and the progress that has been made in recent years. This has a number of implications for Government and our stakeholders". There is a growing consensus that there is a need for more focus on efforts to change widespread ideas and beliefs about people living in poverty if a strategy against child poverty is to be successful and sustainable in the long-term.

The Child Poverty Action Group (2009), the leading campaign organisation on the issue has recently issued a manifesto in which it argues that there are "Ten reasons to be angry about child poverty". They are

1. More than half of the children living in poverty have a parent in employment.
2. Current benefits and tax credits leave many children living below the poverty line.
3. The poorest families pay most for the key necessities.
4. The poorest families pay the highest proportion of their income in tax¹⁴⁰.
5. Poor children are more likely to experience unsafe environments.
6. More affluent and better educated people tend to get the best out of public services.
7. Poverty is a barrier to educational success. Hirsch (2007) finds that the average attainment gap between those children receiving free school meals and the rest is 2.5 terms at Key Stage 1 and 5.1 terms at Key Stage 3.
8. Children in poverty go without the necessities most of us take for granted (see Fig. 4).
9. Poverty damages health.
10. Parents aspirations for their children are high but their life chances are low.

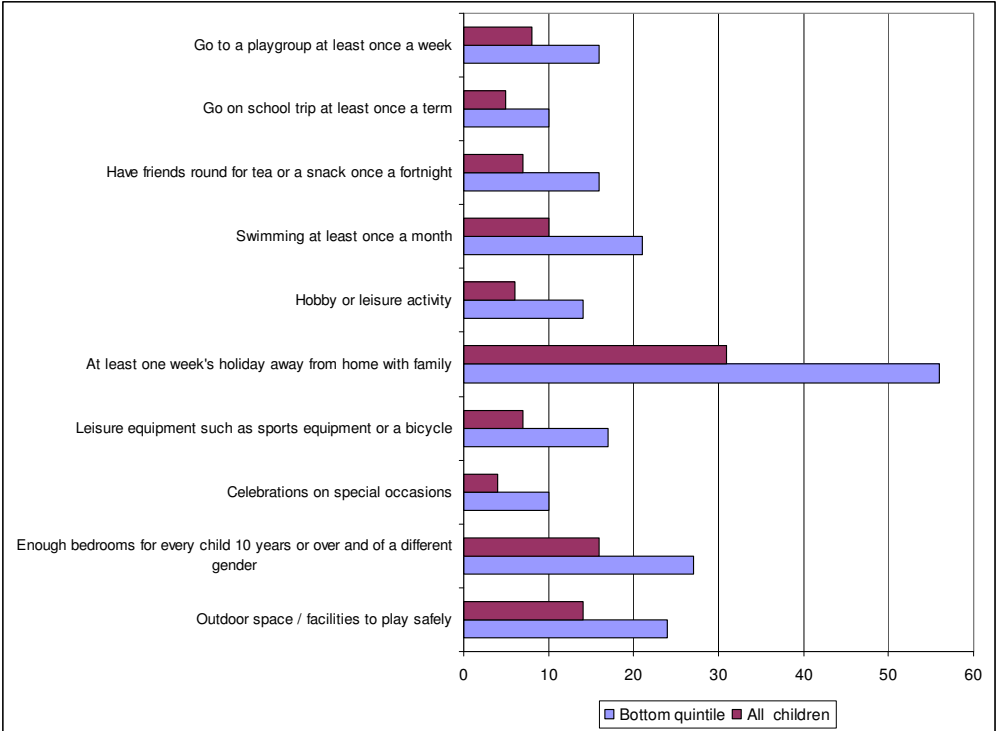
A series of studies has just been published by the Joseph Rowntree Foundation pointing to the huge costs of child poverty to individuals, government and society. The Exchequer costs are an estimated £12 billion (over EUR 13 billion) per year and the costs in below-average employment and earnings levels £13 billion (around EUR 14.5 billion) per year. So the total estimated cost is £25 billion (EUR 27.5 billion), over two-thirds of which would return to the Exchequer were child poverty to be eradicated: 'in the long term huge amounts would be saved from not having to pick up the pieces of child poverty and associated ills' (Hirsch, 2008).

The UK is in recession. Unemployment, already over two million, is increasing at a more rapid monthly rate than since records began and is expected to exceed three million before the end of the year. It will be much harder for parents of children to keep jobs and find jobs. There will be more one earner families with higher risks of poverty. Unemployment almost inevitably entails poverty in the UK because out-of-work benefits are so low. There is a massive budget deficit and the prospects of cuts in public expenditure and increased taxation. Curiously, depending on how these are handled there is an opportunity here to reduce inequalities and, if median income falls, the prospect of a statistical reduction in child poverty. Meanwhile, like France, the UK has been experiencing the highest fertility rates for 35 years with the rate now at 1.95.

Thanks to the improvements that have been made in the level of out-of-work benefits for families with children, the experience of unemployment for children may not be as harsh as it was in the previous recessions in the early 1980s and 1990s. Next year there is the prospect of a change of Government. There is a greater degree of political consensus about the importance of child poverty than there has been in the past. The Conservative Party leader David Cameron has said "We can end child poverty – I mean it" (Speech at the launch of Making British Poverty History, 28 April 2008). Similar support for the poverty strategy has come from the leaders of other political parties. Only time will tell.

¹⁴⁰ The richest decile pay a higher share of income in income tax but the effect of direct and indirect taxes mean that as a proportion of their income the richest decile pay 33% compared with 42% by the poorest decile (Jones 2008).

Figure 4: Share of children in households wanting and lacking items because they cannot afford them



Source: DWP 2009

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