Family policies and poverty reduction in OECD countries[1]

Family policies in economically-advanced countries are expected to meet many goals; key amongst those is protecting families from poverty and social exclusion. Anti-poverty policies include job promotion and protection, income support and services delivery including childcare provision, and services for children at risk of neglect or abuse. Good family policy can also help people to work whilst having the number of children they want, addressing the dual challenges of today's labour market needs and population ageing in the future.

This paper addresses the salient issues by answering the following questions: What does poverty look like in OECD countries, and how is it changing? What policies are being used to prevent and ameliorate poverty in OECD countries? How important is employment to reducing poverty risks, and how successful are the various family policies in reducing poverty? How do children's experiences of poverty by age predict future life chances and raise the risk social exclusion across generations? And where next for anti-poverty policy challenges following the financial crisis? The paper summarises with a short reflection on the importance of early years family policies, and a set of recommendations for family policies in OECD countries drawn from Doing Better for Families (OECD, 2011) and Doing Better for Children (OECD, 2009).

What does poverty look like in OECD countries[2], and how is it changing?

Poverty refers to the shortage or scarcity of a resource, and as such may reflect households having income shortages, material shortages and/or perceived shortages; all of which have been used in recent years (see for instance OECD, 2008, 2009 and 2011; also Bradshaw et al, 2006, Förster 2010, and UNICEF 2005 and 2007). These measures do not always closely associate, particularly across countries for varied reasons including: the choice between a cash transfer or service heavy welfare state, what might be the culturally perceived necessities (or the perceived need for replacing these necessities) and the point of comparison used by people when reflecting on subjective perceptions of poverty. This paper compares child income poverty using a relative measure to reflect national poverty rates from national rather than international standards (absolute poverty rates, such as $1 per day rates do that). Analysis here specifically covers the households with children who live under a population-based income threshold; this threshold is 50% of the median equivalised income.[3]

Because this paper focuses on income poverty, and specifically income poverty in households with children, a number of cautions should be applied to interpretation of the poverty measures. Limitations of the income approach include: the selection of equivalisation methods (which can vary by age), variations in purchasing power, and the assumption that having money means it is spent to meet the households needs (and therefore, particularly in the case of children, that household with sufficient income spend that income in the best interests of the child), and the definition of disposable income (which, for instance, does not account for debt repayment).

The changing face of poverty risks in the population

Figure 1 looks at the spread of poverty incidence across the OECD population by age group from the mid-1980s to the mid-2000s. In each wave, the age group least likely to experience poverty are those aged 41 to 50 years, possibly reflecting not only the earned income capacity at this age, but the peak of careers, and so pay. However

---

1 Dominic Richardson is an Administrator in the OECD Social Policy Division. He is a co-author of two OECD reports *Doing Better for Children* and *Doing Better for Families*, and Reduction de la Pauvrete des Enfants : Comparaisons Internationales (Forster and Richardson, 2011), from which this paper draws freely. The views expressed in this paper cannot be attributed to the OECD or its Member governments; they are the responsibility of the author alone.

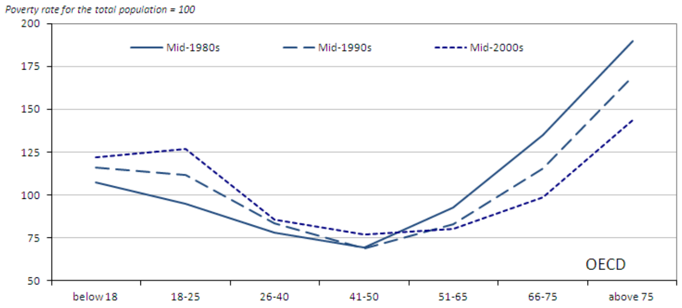
2 In 2011 the Organisation for Economic Co-operation and Development included 34 Member countries: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

3 Household net incomes are equivalised by using the square root of the number of people living in the household over the total disposable income, and subsequently weighted by persons.

the populations most likely to experience poverty have shifted over this period from the elderly (over 65 years of age) to young people, children (under 18s) and in particular, the youth population (18 to 25) – in short, families and the next generation of parents.

Figure 1: OECD-wide poverty risks are shifting from older populations to younger populations

Age-specific poverty rates (total poverty rate = 100), mid-1980s to mid-2000s



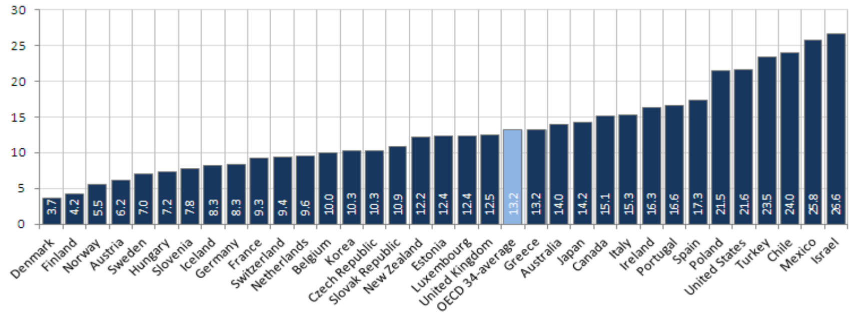
Note: Relative poverty risk is the age-specific poverty rate divided by the poverty rate for the entire population times 100. The poverty threshold is set at 50% of median equivalised disposable income of the entire population. Source: OECD, 2008.

Child poverty in the OECD: rates and trends

Today in OECD countries, one in every eight children lives in poverty (Figure 2). This average disguises a large range in rates from less than one in 20 children in poverty in Finland and Denmark to more than one in four in Mexico and Israel. Both high and low income countries can have high poverty rates, for example in the United States over 1 in 5 children are living in households with incomes less than 50% of median equivalised national household income.

Figure 2: The range in child income poverty rates is large, from 1 in 25 in Denmark to 1 in 4 in Israel.

Rate of children (0-17 years) living in households with 50% of the median equivalised national household income, 2008 or nearest year

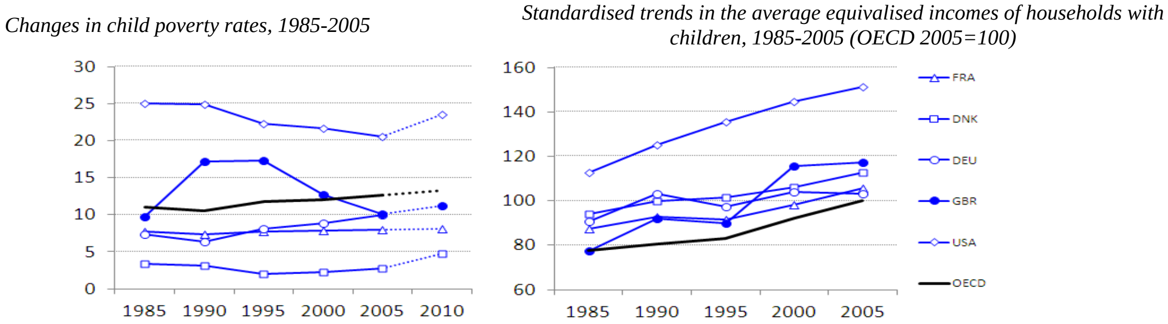


Note: 2007 for Australia, Canada, Denmark and Hungary; 2006 for Chile, Estonia, Japan and Slovenia; 2005 for Ireland and Switzerland; 2004 for Austria, Belgium, the Czech Republic, Finland, Greece, Iceland, Luxembourg, Poland, Portugal, the Slovak Republic and Spain. 2008 for remaining countries. The poverty threshold is set at 50% of median equivalised disposable income of the entire population. Source: OECD Income Distribution database.

A concern for policy makers is that despite increasing welfare efforts in many countries, and rising family incomes OECD-wide, poverty in OECD countries has edged up. Since the mid-1980s child poverty has increased from around 11 percent to nearer 13 percent. Projections based on unemployment in families with children to 2010 predict a continuation of that rise (driven in no small part by the recent financial crises experienced in some countries).

Overall, and OECD-wide, national poverty rates seem to be converging. In countries with traditionally high poverty rates, such as the United States, the biggest falls in poverty before 2005 are seen (OECD, 2011). In countries with lower than average poverty rates, such as France and Denmark, small upwards trends are seen. The United Kingdom is one of a few OECD countries (Australia and Spain are others – see OECD, 2011) where child poverty rates have fluctuated to any degree over this period.

Figure 3: Since 1985 child income poverty rates OECD-wide have changed very little, average incomes however have been on the rise



Note: Estimates for 2010 are crude estimations based on most recent poverty rate and on non-employment rate projections for five different family types in 2010. See OECD 2011 for further details. Source: OECD 2011.

At the same time as average income poverty rates have been increasing, so have the average incomes of families with children (right-hand panel, figure 3). Across the OECD the average family income has increased by more than 20% in real terms. Over this period the country achieving the biggest income poverty reductions, the United Kingdom, was also increasing family income at the third highest rate in the OECD.

Between 1995 and 2005, the relationship between changes in average incomes and poverty rates across OECD countries is non-uniform (OECD, 2011). Just two OECD countries report an above average increase in family incomes at the same time as a fall in poverty rates (the United Kingdom and Australia) – although low growth countries also report substantial drops in poverty (Mexico and Italy). Those countries reporting the highest poverty increases in absolute terms (the Czech Republic, Germany, Luxembourg and New Zealand) are split between low growth and high growth countries (*ibid*). The observation that trends in child poverty are not related to trends in real incomes of households with children suggests that there are factors other than economic growth which determine changes in child poverty. Family policies and changes to these policies are such a determinant factor.

What policies are being used to prevent and ameliorate poverty in OECD countries?

Many OECD countries have explicitly outlined goals in poverty reduction. Australia, Canada, Ireland, New Zealand and the UK have set targets to reduce or eradicate forms of poverty in recent years (Whiteford and Adema, 2007), with the latter setting the 2020 child poverty target in law using the 2010 Child Poverty Act. The French government has recently enacted an overall poverty target, namely to reduce income poverty by a third over a five-year period, based on the 2008 income poverty threshold anchored over time (ONPES, 2011). At the EU level the so-called Laeken indicators reported household and child poverty and the new EU-wide 2020 commitment has outlined the target to reduce by 20 million the number of Europeans living in poor, deprived or jobless households by 2018 (Council of the European Union, 2009). To meet these targets, countries can use cash benefit transfers, tax breaks on earned income (or non-wastable tax breaks for those earning below defined levels) as well as in-kind services (including health, social services, child care and education). But what works?

Poverty risk by employment status and family type

Employment works. Non-employment is the single biggest risk factor for poverty OECD-wide, although poverty rates by family type due to employment status vary widely across member states (OECD, 2011: 185). For example, across the OECD, non-employment for sole-parent families can almost triple the risk of poverty (*ibid*). This can vary by family types and between countries. For instance, differences between working and non-working sole parents in Australia are particularly sharp, with a low poverty rate in-work of 6.1% increasing to 67.8% if the sole parent is not in work. For couple families joblessness can increase poverty risks ten-fold compared to couple families with two working adults. Although in some countries (Chile, Japan, Korea, Luxembourg, Poland and Spain) having two incomes provides the least protection from poverty. Nevertheless, jobless poverty rates are still between 3 and 5 times higher than in-work poverty rates.

Large families and sole-parent families are at particular risk of poverty because of additional costs in the former and lower incomes in the latter, although average poverty rates for working large families is half of that of working sole parents. Compared with the average working-couple family, the relative risk of poverty for large families is at least ten times as high in Norway, Slovenia and the United Kingdom. Poverty risks for large sole-parent families are higher still in most countries. Large working sole-parent families are at least twice as likely to be in poverty as the average working sole-parent family in Denmark, Estonia, Poland and Slovenia (in Italy this is six times as high). In contrast, in Australia, Austria, and Luxembourg having a large family for a working sole parent reduces the risk of poverty compared with working sole parents overall. This may be due unobserved trends, such as larger families having older children contributing to household income, or the prevalence of large sole-parent families, or due to family cash benefits in these countries having increments large families.[4]

Keeping families, of all types, out of long-term benefit dependency is crucial to reducing income poverty. Policy can help parents to find work and develop their careers. Most OECD countries have made parental income support conditional on job-search and other participation commitments once the youngest child has reached compulsory school age. However, some parents, such as sole-parents on income support can only be expected to work if suitable, reasonably priced childcare supports are available. Investment in training and other intensive employment supports may be required when the parent(s) have been out of work for a considerable period.

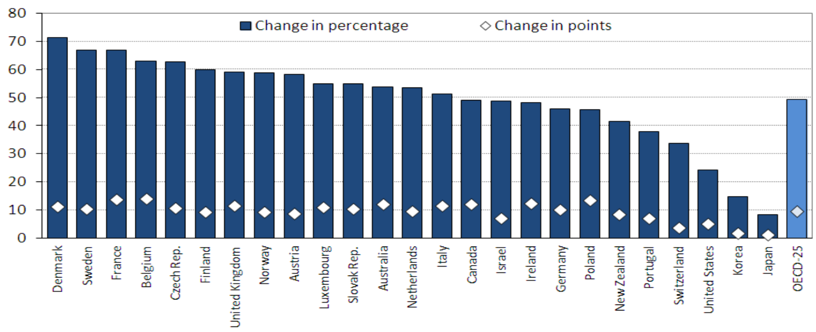
Most countries with female employment rates around or above the OECD average have low child poverty rates, except for Israel, Portugal and the United States. To encourage employment, and particularly employment of mothers, flexible working hours – including part-time options – and flexible, affordable and high quality childcare is needed. To make work pay developing and/or extending existing in-work benefits – including childcare supplements – may be necessary.

The combined effect of tax policies and cash transfers

Government transfers also work, but to a lesser degree. Whether in or out of employment, public cash and tax policies will affect final household disposable incomes, and as such can help reduce poverty risks. Figure 4 shows poverty rates before and after taking account of cash benefits and income taxes in 25 OECD countries, for the working-age population. On average, across the countries, the poverty rates are halved by the combined effect of public taxation and cash transfers, although outcomes vary by country. The poverty reduction effect varies from around one tenth in Japan and Korea to two thirds in some Nordic countries and France. However, this overall reduction does not say anything about which families benefit the most.

Figure 4: across the OECD, Net transfers reduce poverty risks by half on average

Poverty rates in the active population before and after benefits and taxes (net transfers)



Note: Poverty rate defined as percentage of persons living in households below half of the national median equivalised disposable income. Source: OECD, 2008.

4 Equivalence scales used to calculate costs in poverty statistics are not usually applied in benefit payments, so per child increments can have a bigger impact on large family poverty rates even though real amounts paid are the same per head.

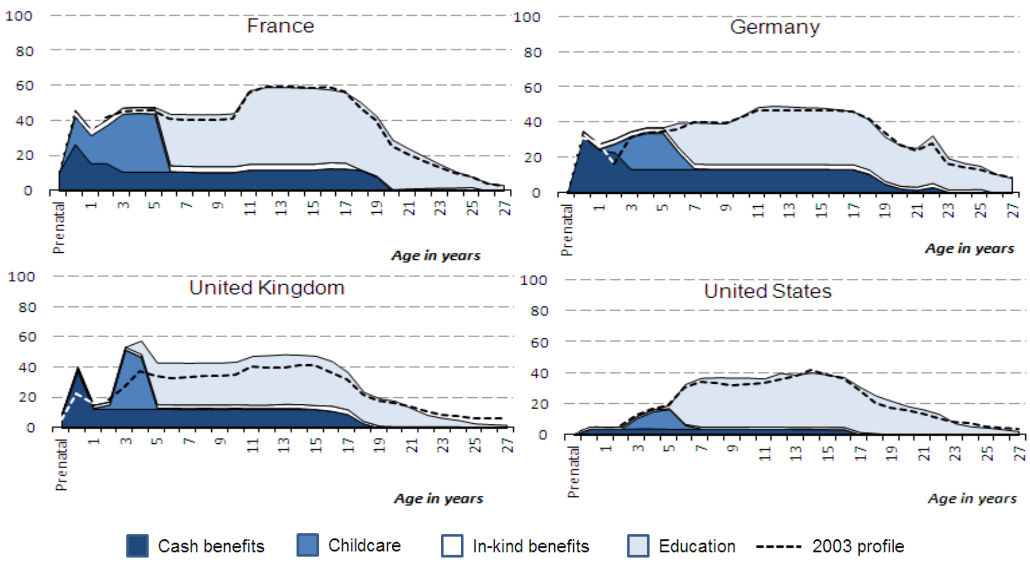
The poverty reduction effect of tax and transfer systems is not only considerable, but has had to strengthen over time. OECD (2008) reports that between 1985 and 2005 the post tax and transfer poverty rate has been increasing at a slower rate than the pre-tax and transfer poverty rate. This shows that the welfare systems have had to work harder over the years to reduce the market impact on final poverty rates, but ultimately have not managed to fully offset the increases in market income poverty. Country-by-country fluctuations in market income poverty change the effect of benefits and taxes on total poverty rates. For instance, in the United States the welfare system seems to be having a somewhat greater effect in recent years on what is a relatively stable market income poverty rate. On the other hand, net transfers in France achieve a poverty reduction among the working-age population which is higher than in the other countries, in the order of 66% (Forster and Richardson, 2011).

The 'when' and 'how' of family spending and poverty reduction

The timing, and type, of intervention matters for poverty reduction. It is clear that public intervention is needed to reduce relative poverty rates as market inequalities persist and / or increase, and that both cash transfers to supplement and childcare to free up parents with young children to work, both have important roles to play. Less clear are the issues surrounding the long or short term effects of the different interventions for reducing poverty and how the interaction of spending by *timing* and *type* can impact on final poverty risks. Below the timing and composition of spending on families as children age are reviewed, to try to explain variations in child income poverty on the basis of poverty reduction strategies.

Figure 5 presents age spending profiles for families with children aged 0-27 in 2007 with the changes from the overall pattern to 2003 represented by a dashed line (for 32 OECD countries see OECD, 2011). By age, United Kingdom investment between 2003 and 2007 increased most for the youngest children through a boost in childcare provisions, as did German spending; whereas public family spending in the United States and France has remained quite stable. By type, childcare spending is largest in France, although cash spending is also popular. Germany spends more on cash than the other countries, and in the UK and the US – proportionally speaking – spending on compulsory education dominates.

Figure 5: In many countries spending patterns in childhood have hardly changed since 2003



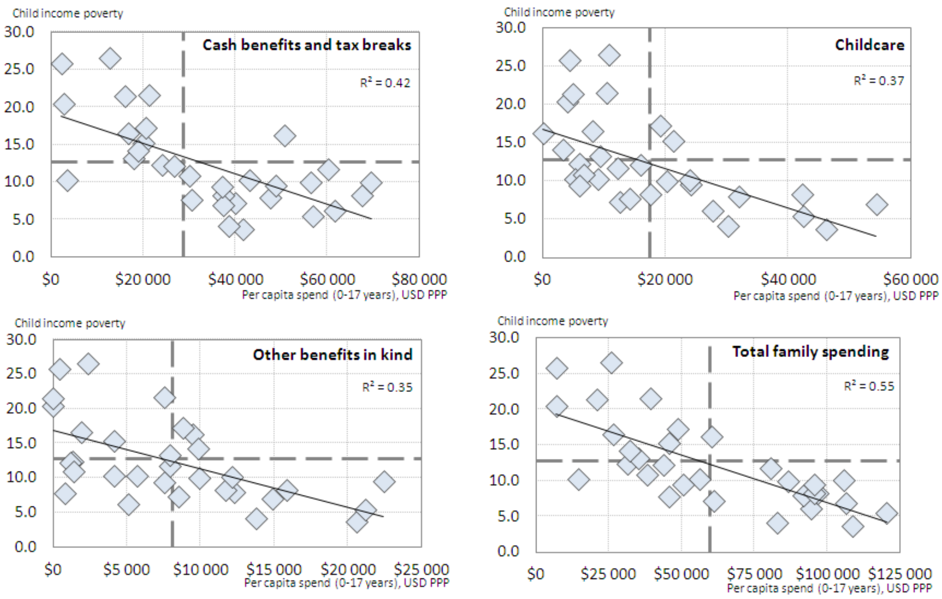
Note: In-kind benefits refer to social housing, transport and food supplements, as well as labour market policies for youth. Childcare services are reported separately due to the age specific nature of that intervention. Education figures exclude pre-primary spending which is instead reported in the childcare figures. Source: OECD, 2011.

Looking at how money is spent on all families across the whole of childhood (0-17 years) not only shows clear differences in the associations between poverty and type of spending, but also that overall public spending on family matters.

Figure 6 shows that cash payments, childcare and other transfers in kind (including accommodation, travel and food subsidies for families) all associate negatively with child poverty rates across countries – but with decreasing coefficient strengths. This may not be surprising given the nature of these transfers. For the poorest families services provision may not increase cash disposable income if they are already reliant on borrowing or savings (spending which is likely to be responsive and not preventative) including temporary accommodation and food supplements. Although childcare frees up families to work, it is a less direct intervention that paying cash amounts to the families.

It is important to note however that these associations say nothing about causality, nor about the long-term impact of the service provision on poverty rates, moreover they do not indicate the extent to which these types of interventions can impact on other measures of living standards such as deprivation or subjective perceptions of poverty. The correlations in figure 6 do suggest however, to some degree, that a mix of cash and services provision is required in order to improve the living conditions of families with children – mainly due to the strongest trend line being found in the association of child income poverty with total public family spending figures.

Figure 6: Combined family spending associates most strongly to child poverty rates



Source: OECD, 2011.

A closer look at cash transfers and taxation policies

The analysis in figures 5 and 6 looks only at average spending per children, and cannot account for variations in treatment of families by income or family form. Figure 7 explores the role of cash benefits and taxes in the early years of childhood in protecting families from income poverty, using adapted OECD TAXBEN models (it is evident that many of the income shocks which create heightened poverty risks occur in the early years when parental attachment to the labour market is weakest due to caring responsibilities (OECD, 2011)). For each country (France, Germany, The UK and the USA) there are two panels of data profiling income changes in three types of working households when a child is born into the family. In each chart parents are assumed to be working full-time unless they are entitled to leave, paid or unpaid, which it is assumed they take in full. On the left-hand side is the experience of different family types earning 100% of the average wage, on the right-hand side are the same families earning 50% of the average wage. The number '1' on the y-axis is the national poverty threshold, and family income lines represent multiples of the poverty threshold.

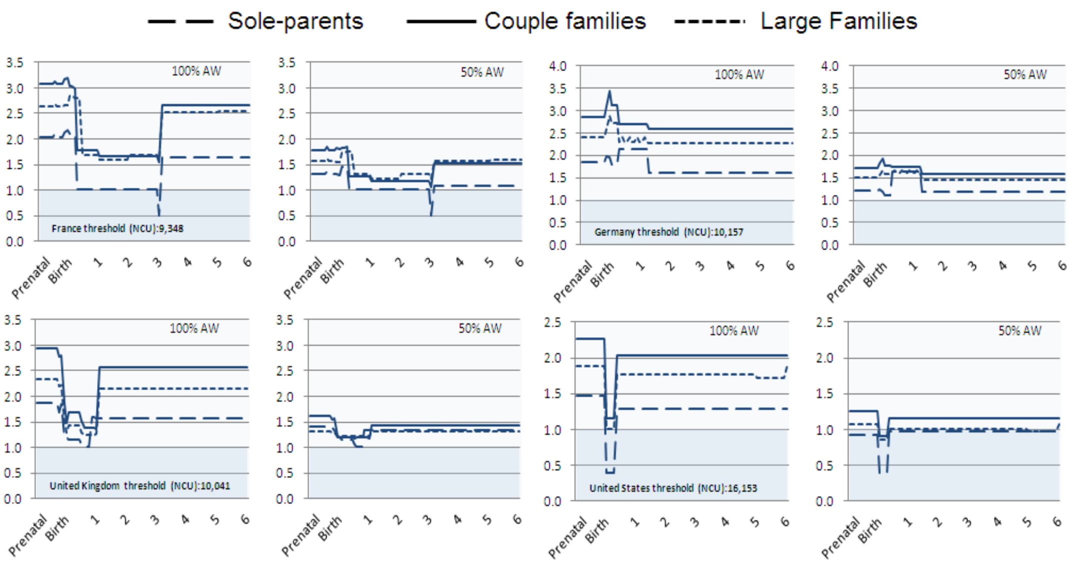
Both in the United Kingdom and Germany, families where workers are earning half of the average wage or above are protected from poverty throughout the early years. In Germany, only sole parents come close to the poverty line, and only when they are earning 50% of the average wage. In the United Kingdom, low wages put all family types just above the poverty line.

In the United States sole parents earning the average wage, and all families earning half of the average wage, will experience poverty after the birth of a child if taking leave. This period of poverty is due to the unpaid leave policy in the United States which provide workers with 12 weeks of leave after the birth of a child (available in larger companies only – see SSPTW, 2011). Incomes return to above poverty rates when the parent returns to work.

In France the sole parents on average and half average wages are most likely to be at a heightened risk of poverty. Though for all family types a notable reduction in family income is seen during the parental leave periods. Comparing this to Germany (a country spending 1% of GDP less on family policies than France [OECD, 2011]) shows that based on the organization of leave systems and family policies overall (these estimates include income from social assistance, housing benefits, in work benefits as well as more direct family policies), how money is spent, and not simply how much is spent, is an important tool in ensuring poverty is reduced and avoided in OECD countries.

Figure 6: Risks of poverty are most acute during early childhood, and vary by family types

Equivalised net household income in employed households as a ratio of the total poverty threshold 2008



Note: Sole parent families are families with one earner and one adult, and two-children born two years apart. Couple families have two adult earners and two children born two years apart. Large families have two adult earners with four children born in a 12 year period where the child at age 0 has three siblings aged 2, 7 and 12. Source: OECD 2011

Based on the analysis here it is evident that Germany transfers more to families around birth in cash and tax breaks (including via higher parental leave payments and tax credits) protecting families from poverty in the early childhood years. However, child poverty rates overall are lower in France, suggesting a cautious interpretation of the results as policies for unemployed families should be incorporated.

A closer look at the role of childcare

One way to explore the income poverty-reduction effect of childcare services is to *impute* cash values of childcare services into the individual household incomes of families[5]. The distribution family income after imputing childcare income can then be compared with incomes before and after cash transfers and taxes. Förster and Verbist (2011), look at the imputed childcare incomes for families with young children of pre-school age (i.e. below age 7) and compare transfers and services for this group (analysis does not include compulsory school education). The analysis suggests a considerable anti-poverty impact of both cash and childcare policies.

Figure 8 presents the estimates for four EU countries – France, Germany, Sweden[6] and the United Kingdom – as well as the unweighted EU average.[7] In all countries, child poverty rates (0-7 years) using market incomes are

5 Services are imputed to individual households on the basis of actual use and the production costs of these services.

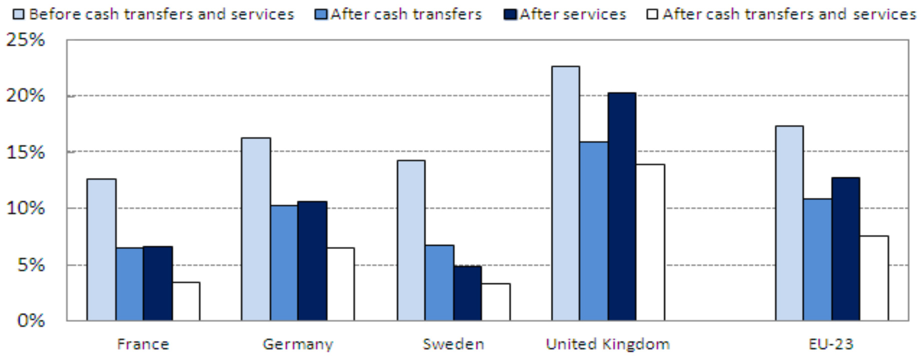
6 Analysis was not undertaken for the US, and so Sweden takes the place in this example.

highest (between 13 to 16% in France, Germany and Sweden, and 23% in the United Kingdom). Poverty rates are lowest after both cash and childcare services, with the exception of the United Kingdom, the final poverty rates have more than halved (overall poverty reduction is 80% in Sweden, 73% in France, 60% in Germany but only 38% in the United Kingdom – see Förster and Verbist, 2011).

The respective strength of poverty reduction effects of cash transfers versus childcare services differ across countries. Compared to cash transfers, the impact of childcare on poverty is weakest in the United Kingdom (childcare costs are high in the UK), whereas in France and Germany the poverty reducing affect of childcare is similar to cash benefit outcomes, and in Sweden childcare services have a stronger impact on poverty rates than cash benefits.

Figure 8: Cash transfers reduce poverty among young children to a slightly larger extent than services – but not everywhere

Poverty rates among young children before and after accounting for cash transfers and early childhood and early education services



Note: Young children defined as children below age of 7. The poverty threshold is set at 50% of median equivalised disposable income of the entire population. Source: Förster and Verbist (2011, forthcoming)

Considering child support payments

In some instances, specifically targeted benefits can play an important role in reducing poverty. One such benefit is child support, and as single parenthood and reformed families become more common, this type of intervention will become increasingly important. Child support policies can take various forms, though generally either advanced public child support payments or publically assisted private payments are applied. The Danish and Swedish systems ensure regular payments are made to the parent with care responsibilities through advance payments that are later recouped from the non-resident parent obligated to provide financial help – these systems reduce poverty rates by 2.5 percentage points. In the United States, payments are only made once the funds have been received from the parent who is obliged to pay child maintenance (although systems can vary by states) – this system reduces poverty, but by just 1 percentage point. To this end, governments may need to guarantee a minimum payment, regardless of the economic circumstances of the parent making maintenance payments (see OECD, 2011 for more details).

Child poverty and future life chances, raising the risk of social exclusion across the generations?

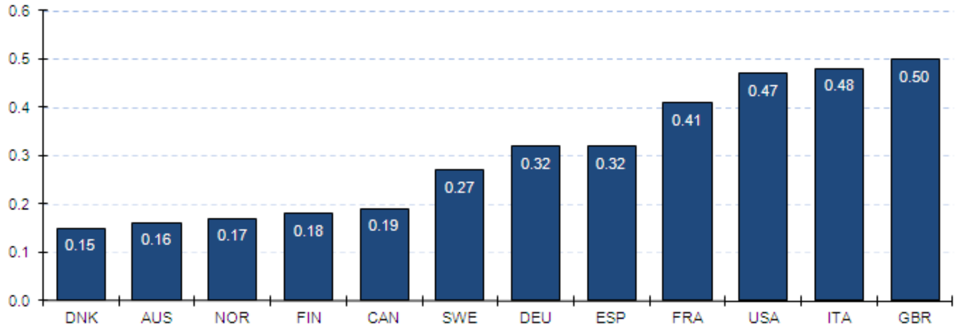
Poor children are often hindered in terms of cognitive and behavioural development, subject to more turbulent home environments, and can be at a greater risk of a range of poorer health outcomes. The longer and deeper the poverty experienced, the larger is the likelihood of developmental trajectories being hindered. The age at which poverty is experienced also matters.

[7] EU27 member countries including: Norway, but excluding Bulgaria, Cyprus, Latvia, Lithuania and Romania where no comparable data were available.

OECD (2011) reports empirical analysis that links the experiences of poverty for gestating mothers to the life chances of their children, and their children's children (Lindo, 2010; and Kim et al, 2010). Moreover, evidence on how poverty experienced during *early childhood* can impact on behavioural and cognitive outcomes of children during childhood (Berger *et al.*, 2010; Kiernan and Huerta, 2008), and working and earning capacity in later life are also reported (Duncan *et al.*, 2010). Evidence on poverty in *middle and late childhood* is likely to be less detrimental to cognitive outcomes given evidence on child brain development and IQ (see OECD, 2009). More of an issue for older children is the increased expectation to provide support in a disadvantaged family through undertaking paid work themselves, or undertaking more housework or caring responsibilities in the home (*e.g.* to support parents taking on additional employment). The provision of such support can come at the cost of discontinuing education and/or social participation. Finally, the *Health Behaviour in School-aged Children Study* (Currie *et al.*, 2008) is a rich source for exploring the effect of family affluence on a range of well-being outcomes for children in middle and late childhood (aged 11 to 15 years). Evidence for many OECD countries, shows that children with low family affluence are more likely to report a range of poorer life outcomes including: fair or poor health, being overweight, eating less healthily, taking less exercise, and having lower life satisfaction.

There is also evidence that these poverty experiences throughout childhood can be carried over to the next generation. OECD (2009) discussed the varying degrees to which parents' earnings can predict the earning of their children (or the intergenerational transmission of earnings). It is clear that in some countries when children grow up in a household where their parent's earnings are low, it has a greater effect on their ability to earn or to move between the social classes (see figure 10). For instance in the United Kingdom, Italy and the United States sons incomes are at least three times more likely to be the same as their fathers than in Denmark or Australia.

Figure 10: The persistence of earnings between generations varies widely across OECD countries



Note: The height of each bar represents the best point estimate of the inter-generational earnings elasticity between fathers and sons resulting from the extensive meta-analysis carried out by Corak (2006) plus several national sources. The higher the parameter, the higher is the persistence of earnings across generations, and thus the lower is inter-generational mobility. Source: OECD, 2009.

Evolving poverty risks in times of economic crisis?

A short reflection is necessary on the aspects of the global financial crisis, which might impose new barriers on poverty reduction strategies in OECD countries. Since 2008, across the OECD, both stimulus and austerity packages have been rolled out in response to the crisis. Stimulus packages have included temporary changes to family cash benefits and more permanent changes to childcare expansions, for example in Germany, Italy, and Austria. Subsequent fiscal consolidation measures have included freezing child payments and restrictions to coverage, cuts to baby grants, reducing leave lengths, and cuts to housing benefits: for example the United Kingdom, Spain, Finland (see Richardson [2010] for family policy focus of stimulus and cuts, and Gauthier [2009] for a broader review of public policy changes in Europe).

The ways in which the financial crisis will affect the poverty reduction strategies in the OECD are many (Förster and Richardson, 2011), and include: i) the political debate may shift and countries may argue that poverty reduction is no longer a priority and economic stability should come first; ii) resources used to prioritise poverty reduction are spent or used elsewhere; iii) fiscal consolidation might decrease resources for certain family types and increase poverty for some populations in the short- and long- term; iv) austerity efforts may not have full effects if the efforts are not universal, or conditional on employment in times of low vacancies; v) employment rates fall and jobless households increase (at present no country is replacing incomes for jobless households at above poverty rates levels); vi) families keep employment but take pay cuts, or pay freezes, or reduce hours or have to relocate; and finally vii) banks and lending institutions restrict loans to businesses and families and disposable incomes are affected (this final measure would essentially be a hidden form of poverty not picked up in common poverty calculations which do not account for debt servicing).

Although this is by no means an exclusive list of the relationship between poverty risk, poverty reduction and the state of the economy, it sheds some light on the potential for the poverty challenge and income distributions to change in the coming years.

Summary: A specific role for early years' policies?

Families, and particularly the role of mothers in advanced economies, are changing. Fertility rates in the past 30 years have fallen and are stabilising, mothers' employment has risen in all countries, children are being born later and families are smaller. At the same time, the educational attainment levels of women have caught up and overtaken those of men, but women also still do the majority of unpaid work at home. As average family incomes rise, so does the average risk of living in relative poverty for more OECD families.

Employment is central to reducing poverty risks in many countries, and to make the most of the female labour supply – for both families and economies – gender divisions in the home and the labour market need to be closed. For many households, raising children *and* living free of poverty means that both parents need to be in work, and that work should pay a reasonable wage. To achieve this, barriers to female employment inherent in welfare systems need to be removed.

Childcare needs to be available for young families, flexible and of good quality; moreover the effective tax rates on second earners, who use childcare services, need to be assessed after childcare costs to ensure prices are not inhibitive. Notwithstanding the relatively low use of formal childcare by low-income-families, compared to tax and cash spending, public investment in childcare is shown to be effective in reducing poverty.

From the perspective of parental leave policies, much can be done to take the burden off female employees by equalising leave entitlements between men and women (with appropriate incentives to take-up the leave) to reduce employers disincentives to employ females, and increase men's share of home care responsibilities. Moreover, parental-leave payment rates, often flat-rate, are considerably lower than for maternity leave. Such payment levels limit the incentives to work for low-income earners, while using leave entitlements carries high opportunity costs for middle and high-income earners. To avoid this problem, leave policies could be shorter and better paid.

Despite social policy reforms and growth in family incomes over the past two decades, child income poverty remains to be a problem. Now, because of the economic crisis, things are likely to get worse. However, and particularly in times of crisis, there remain both equity and efficiency arguments for protecting the vulnerable (OECD, 2009). To achieve this, further reform and public service efficiencies are required, such as collocating services to take advantage of economies of scale and maximize service take-up.

Of course, poverty reduction is just one objective of different family policy strategies. Increased female labour force participation and maternal employment; higher fertility rates; reconciling family and work life; gender equality; parental nurturing; and child development are all goals that feature prominently on the family policy agenda of OECD countries. Nevertheless, understanding the anti-poverty impact of policy instruments is one valuable additional guiding element when it comes to make choices of shifting parts of the budgets from one policy to another.

Recommendations

- Investment in family policies should start during the early childhood years and continue throughout childhood: such a strategy potentially has high social rates of return and helps avoiding more costly interventions later in life.

- Countries need to ensure that financial transfers, care supports and flexible working-time arrangements for families with young children fit together into a continuum of support without gaps in income or care replacements.

- Public spending on family benefits and in-kind services should be seen as investment for the future. If, for example as part of a fiscal consolidation package, cuts in family support budgets are necessary, it would be best to make temporary or targeted changes to family policies (e.g. Hungary and the United Kingdom temporarily froze child benefit payments).

- Countries should review options for progressive universalism/cascaded service delivery to improve efficiency without leaving families or children behind. Systems of family service delivery that provides universal services with more intensive delivery to targeted populations, enhancing social fairness and social integration of all the children, in the most cost-effective manner.

- Work should pay for both parents; and so government policy should help reduce childcare cost where necessary. Policy should ensure good-quality childcare to assure parents that their children are being looked after properly and enhance child development. Public childcare service supports should be conditional on quality standards. Most OECD countries need to further develop their out-of-school-hours care supports.

- Maximising child support helps to reduce child poverty in sole-parent families. Public child support or maintenance programmes are important tools in reducing child poverty. From the child perspective, advance payments systems are best because they maximise coverage and ensure regular support for the parent with childcare responsibilities, although they do promote disincentives for non-resident parent payment, and impose larger budgetary costs.

- To ensure that workplace supports are accessible to all families, including those with young children or without partners, governments should encourage all employers to offer part-time employment opportunities as well as flexible in working hours.

- To encourage a more gender equitable use of leave entitlements, and home care within families, governments can provide financial incentives to share leave more equally between men and women around the time of birth.

REFERENCES

Berger, L., C. Paxon and J. Waldfogel (2009), Income and Child Development, *Children and Youth*.

Bradshaw, J., P. Hoelscher, and D. Richardson (2006), *Comparing Child Well-Being in OECD Countries: Concepts and Methods*. Innocenti Working Paper No. 2006-03. Florence, UNICEF Innocenti Research Centre

Corak, M. (2006), *Do Poor Children Become Poor Adults? Lessons from a Cross Country Comparison of Generational Earnings Mobility*, IZA Discussion Paper No. 1993, Institute for the Study of Labor, Bonn.

Council of the European Union (2009) *Contribution to the European Council of 17 June 2010: Europe 2020 - A new Strategy for Jobs and Growth*, downloaded at http://register.consilium.europa.eu/pdf/en/10/st10/st10025.en10.pdf, July 2010.

Duncan, G. et al. (2010), Early Childhood Poverty and Adult Attainment, Behaviour and Health, *Child Development*, Vol. 81, No. 1, pp. 306-325.

Förster, M. (2010), Poverty in the OECD Area: Patterns and Longer-Term Trends, in: P. Saunders and R. Sainsbury (ed.), *Social Security, Poverty and Social Exclusion*, *International Studies on Social Security* volume 16, pp. 35 - 62

Förster, M. and G. Verbist (2011), *Money or Kindergarten - What Works Better? A Comparative Analysis of the Distributive Effects of Family Cash Transfers versus Services*, OECD Social, Employment and Migration Working Papers, OECD Publishing (forthcoming).

Forster, M., and D. Richardson (2011) Reduction de la Pauvrete des Enfants : Comparaisons Internationales. Forthcoming. *Politiques sociales et familiales*, CNAF.

Gauthier, A. (2010) *The Impact of the Economic Crisis on Family Policies in the European Union*. European Commission, Employment, Social Affairs and Equal Opportunities DG. At http://ec.europa.eu/employment_social/emplweb/families/admintool/userfiles/file/Final%20revised.pdf, July 2010.

Kiernan, K. and M.C. Huerta (2008), Economic Deprivation, Maternal Depression, Parenting and Child's Cognitive and Emotional Development in Early Childhood, *British Journal of Sociology*, Vol. 59, No. 4, pp. 783-806.

Kim, S. et al. (2010), *The Lasting Impact of Mothers' Fetal Malnutrition on their Offspring: Evidence from the China Great Leap Forward Famine*, IZA Discussion Paper No. 5194, Bonn.

Lindo, J. (2010), *Parental Job Loss and Infant Health*, IZA Discussion Paper No. 5213, Bonn.

OECD (2008) *Growing Unequal?* OECD Publishing, Paris.

OECD (2009), *Doing Better for Children*, OECD Publishing, Paris, www.oecd.org/els/social/childwellbeing.

OECD (2010) *Income Distribution Questionnaires*, OECD Publishing Paris.

OECD (2011), *Doing Better for Families*, OECD Publishing, Paris, www.oecd.org/els/social/family/doingbetter.

ONPES (2011), *Suivi de l'objectif de baisse d'un tiers de la pauvreté en cinq ans*. http//www.onpes/gouv.fr

Richardson, D., (2010) Child and Family Policies in a time of Economic Crisis. *Children and Society*, 24(6), November 2010, pp.495-508.

SSPTW (2011) *Social Security Programmes throughout the World : Policies for the Americas*. At www.ssa.gov/policy/docs/progdesc/ssptw/, January 2011.

UNICEF (2005) *Child poverty in rich countries 2005*, Innocenti report card 6, UNICEF: Florence

UNICEF (2007) *Child poverty in perspective: An overview of child well-being in rich countries*, Innocenti report card 7, UNICEF: Florence.

Whiteford, P., and W. Adema (2007), *What works best in Reducing Child poverty: A Benefit or Work Strategy?* OECD, Social, Employment and Migration Working Papers, No. 51, OECD Publishing.