

Family Policies and poverty reduction

Dominic Richardson

OECD ELS/SPD

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Poverty measurement: For who and how?

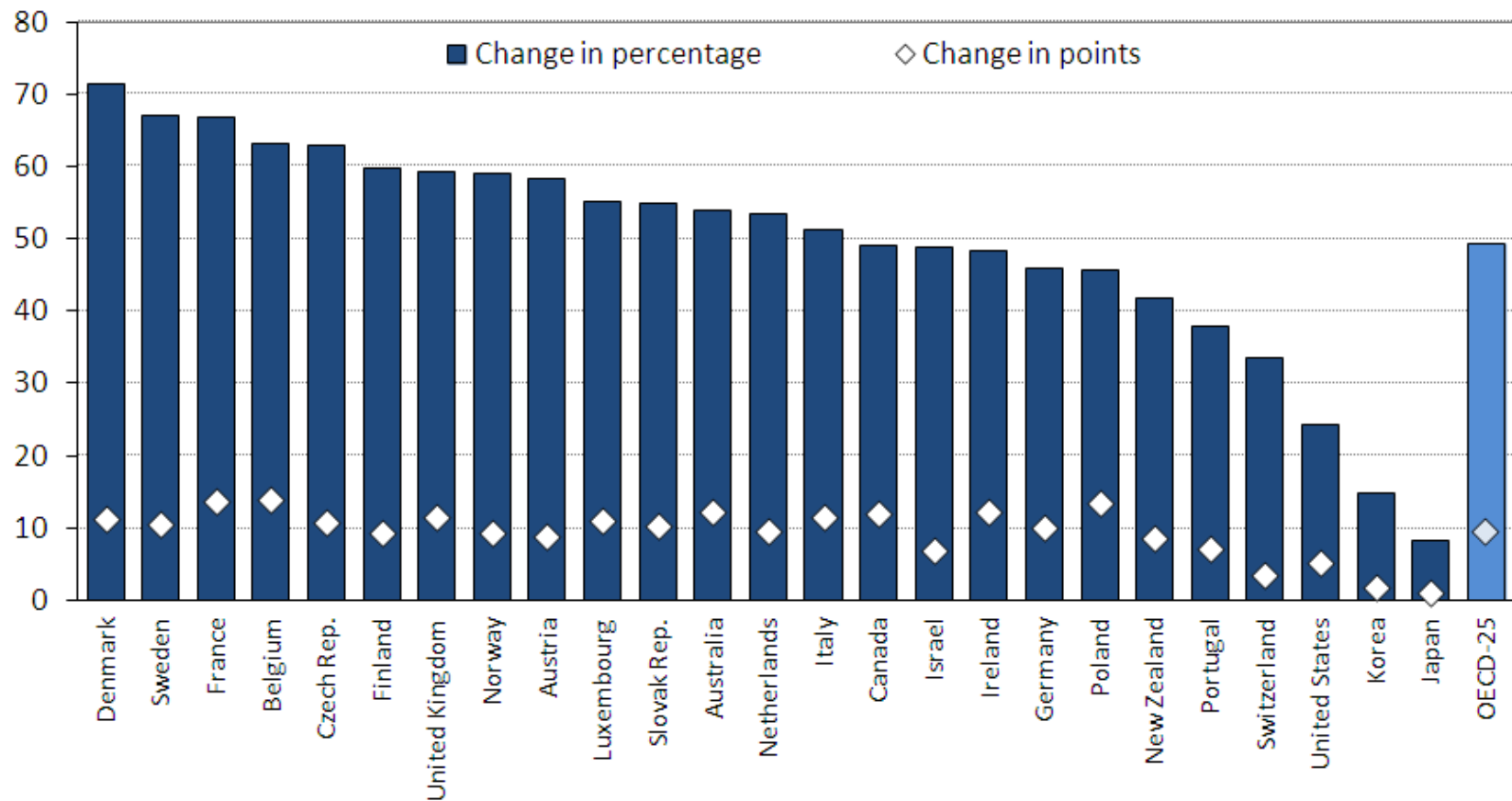
- Populations of focus vary
- Recently used measures include:
 - Objective and subjective well-being
 - Material deprivation
 - Income measurements: poverty and inequality
- Limitations of the income approach...
 - Equivalisation and purchasing power
 - Cash as a catch all

Targets and tools in poverty reduction

- **Commitments and targets**
 - National commitments (UK, NZ, IE)
 - EU-wide (new 2020 measures)
 - *Is target-setting a good idea?*
- **Policy packages**
 - Cash benefits
 - Tax breaks
 - In-kind services (inc child care and education)
 - *What works?*

Net transfers reduce poverty risks by half

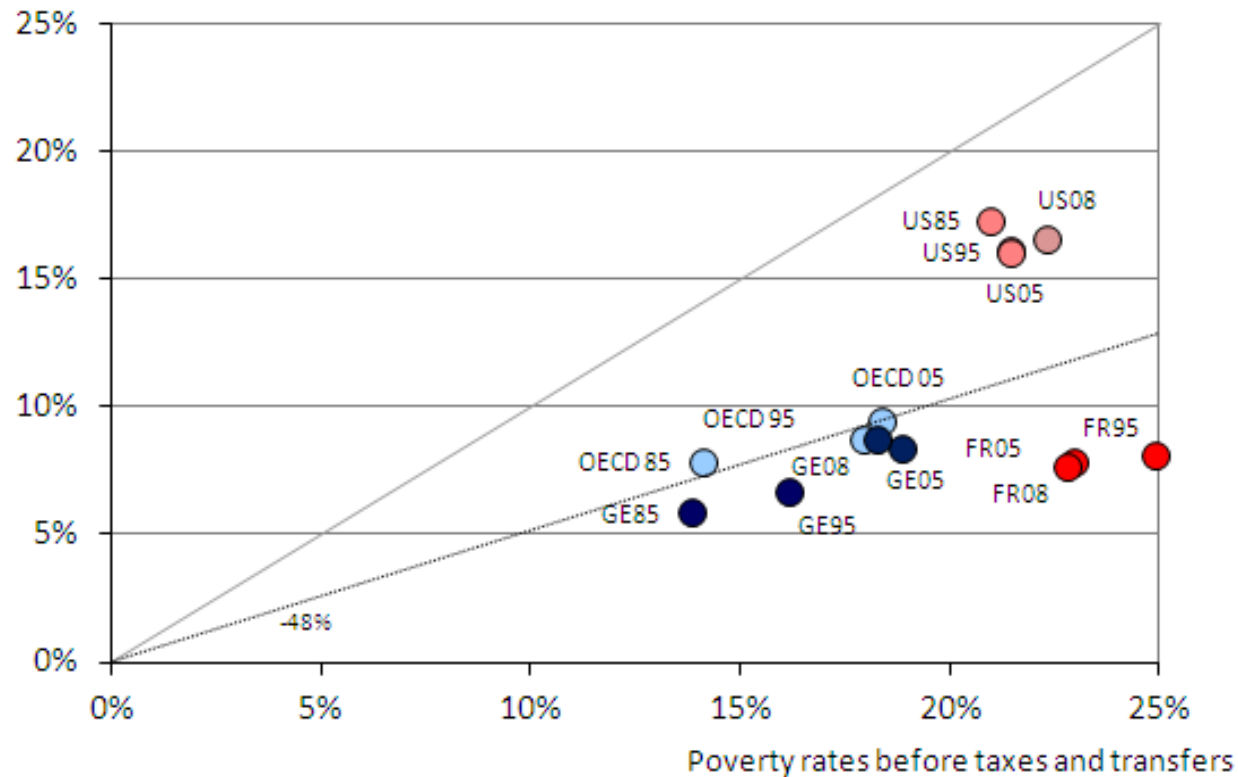
Poverty rates before and after taxes and transfers, active population



Family policies are having to work harder

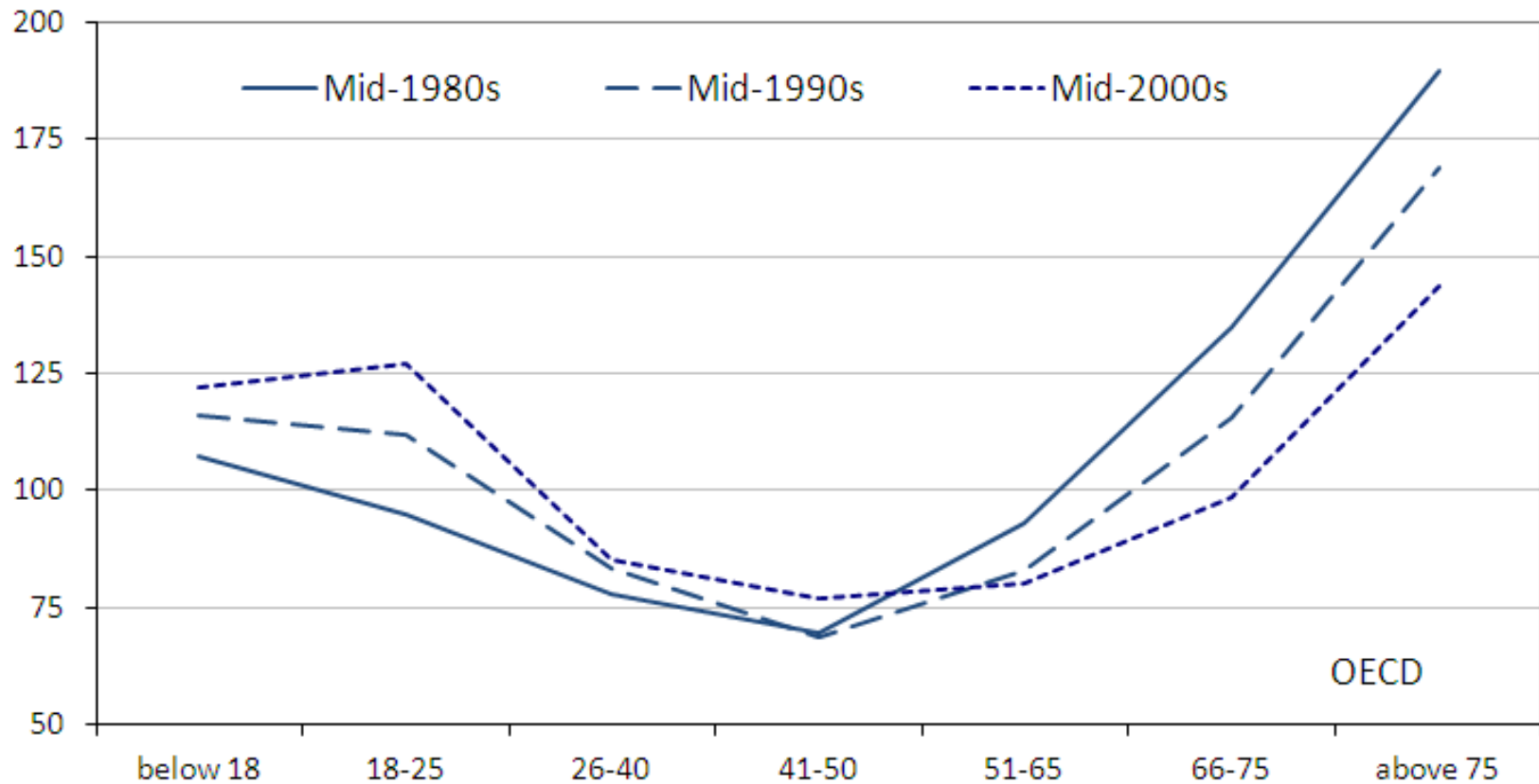
Poverty rates before and after transfers, changes since 1985

Poverty rates after taxes



Poverty risks are shifting

Poverty rate for the total population = 100

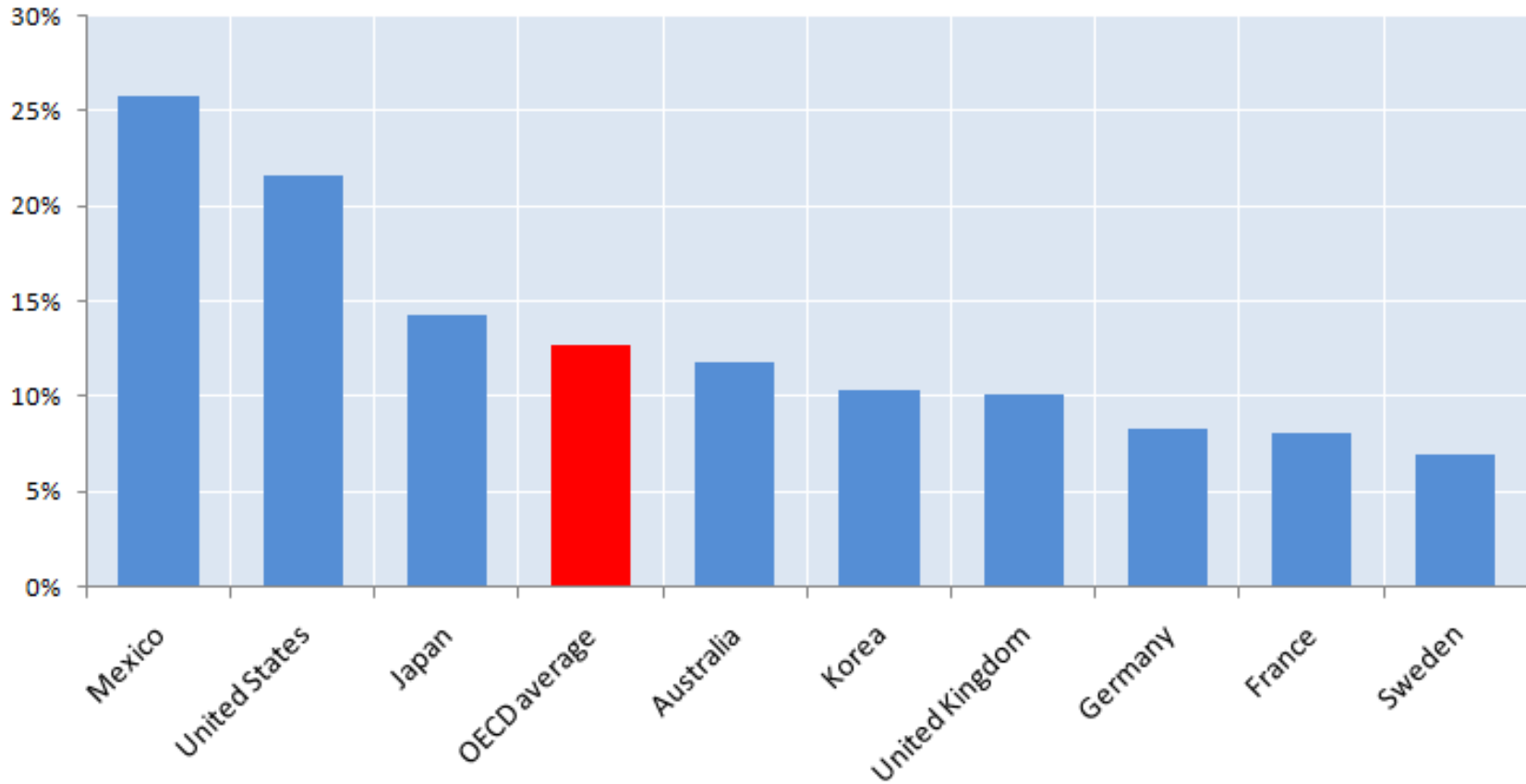


Family poverty and child outcomes

- Poor nutrition during pregnancy has long term development effects
- Job loss, stress linked to low birth weights
- Cognitive and behavioural development is stifled
- Evidence for older children shows that:
 - Low FAS children: fair or poor health, obesity (excl. Turkey).
 - High FAS children: higher life satisfaction, fruit consumption (excl. IL, SE, CH).
- Future generations are at risk of poverty

1 in 8 children live in poor families

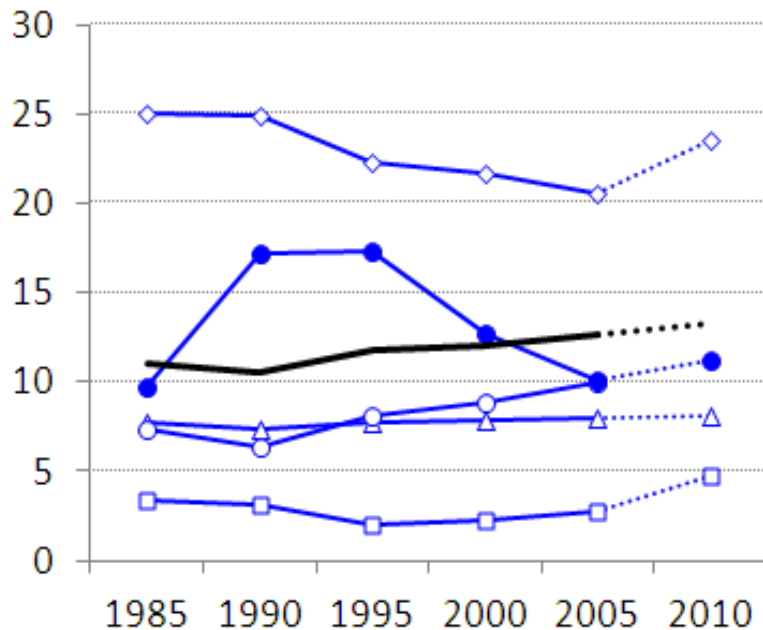
Proportion of children living in poor households*



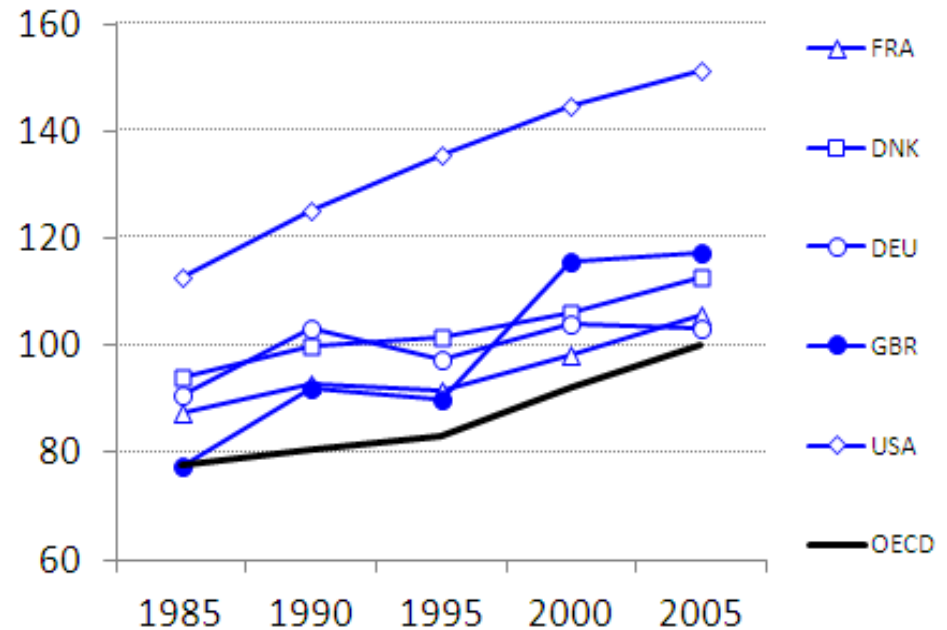
*Poverty thresholds are set at 50% of equivalised median household income of the entire population

As incomes rise, so do poverty rates

Changes in child poverty rates, 1985-2005



Standardised trends in the average equivalised incomes of households with children, 1985-2005 (OECD 2005=100)



Source: OECD 2010, Income distribution questionnaire

Child poverty: equity and efficiency

There is no clear relationship between increases in average family incomes and relative income poverty among children

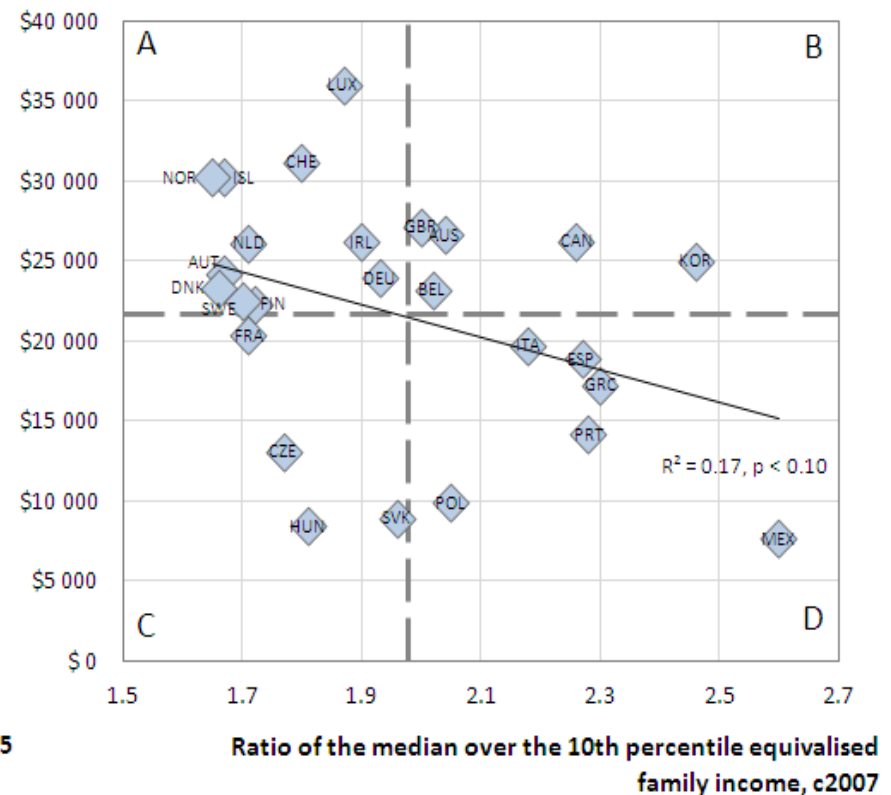
Change in child poverty, 1995 - 2005

Panel A



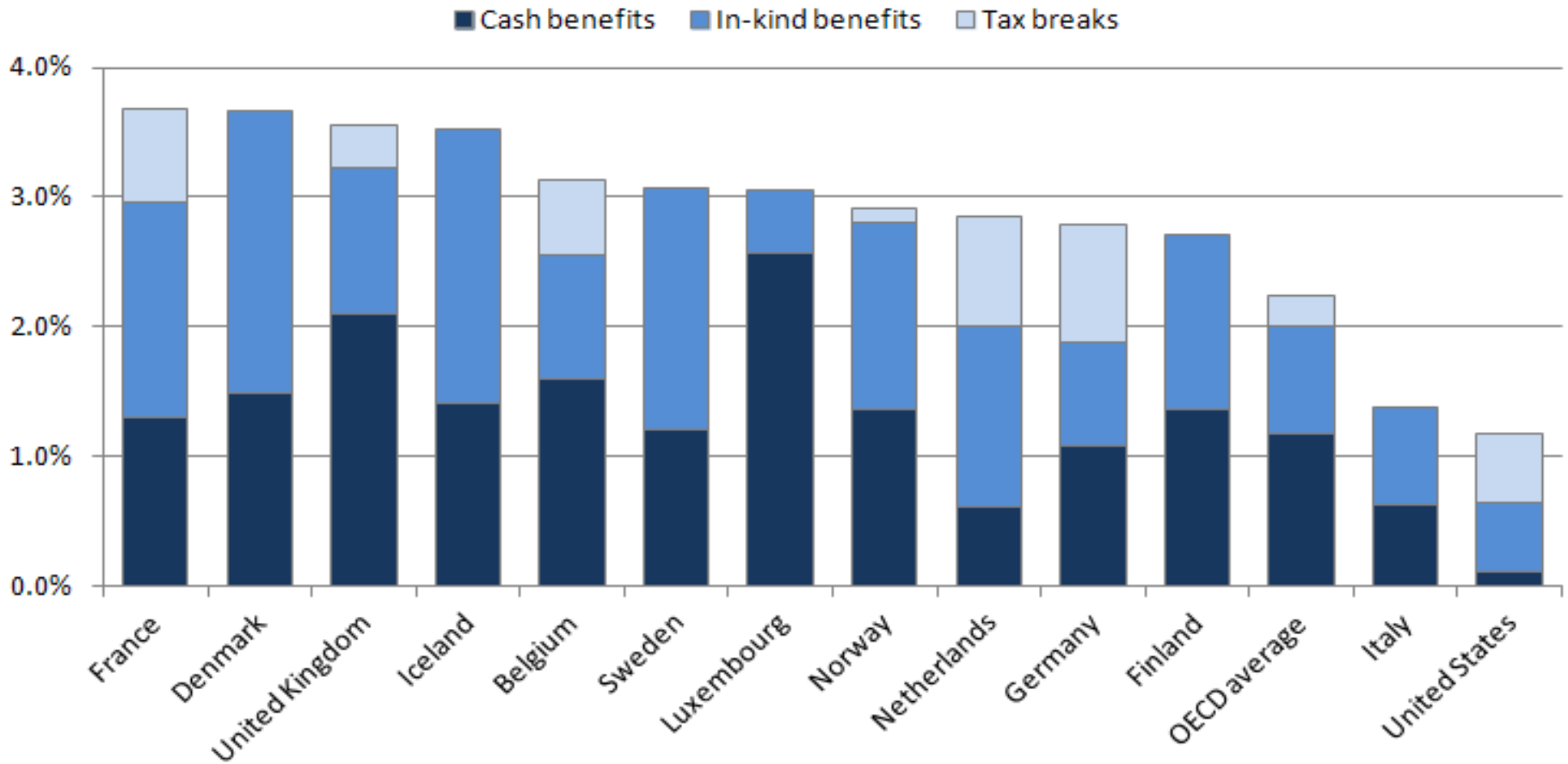
Average equivalised household income, c2007

Panel B



The policy mix varies across countries...

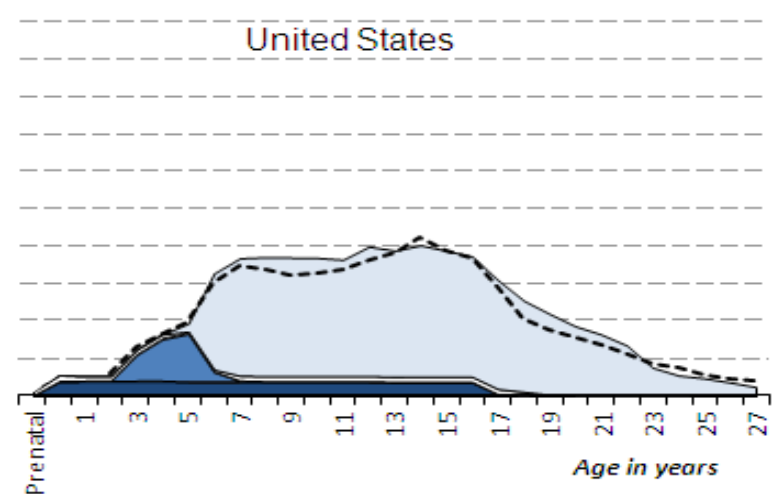
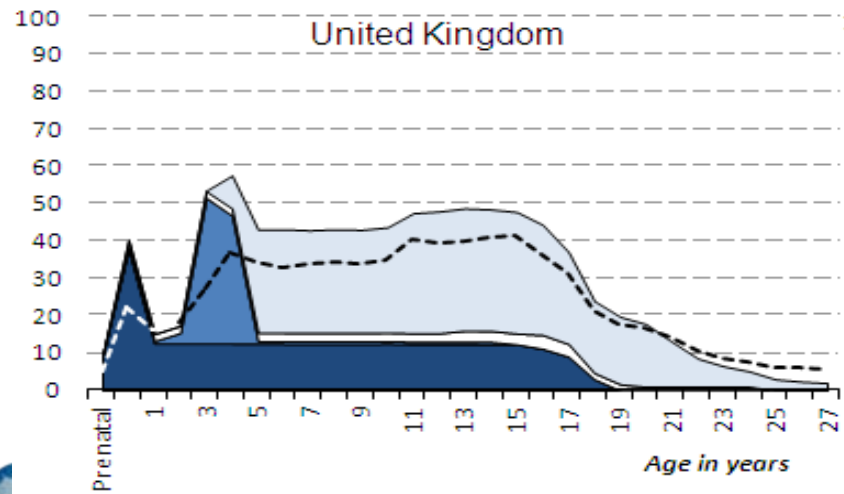
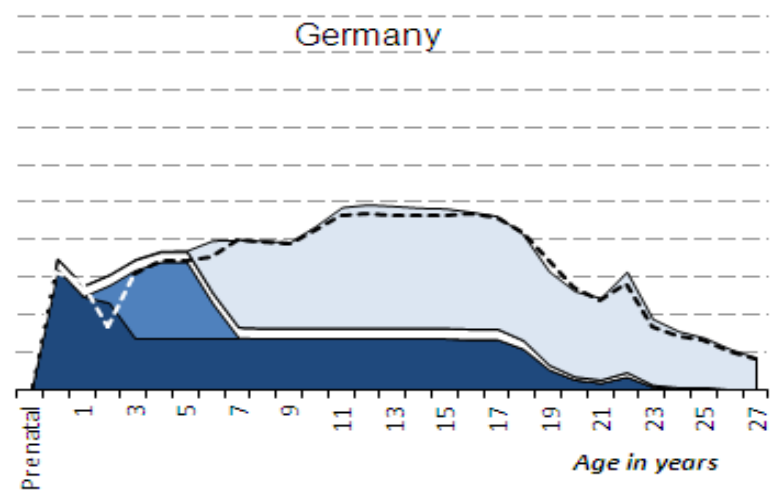
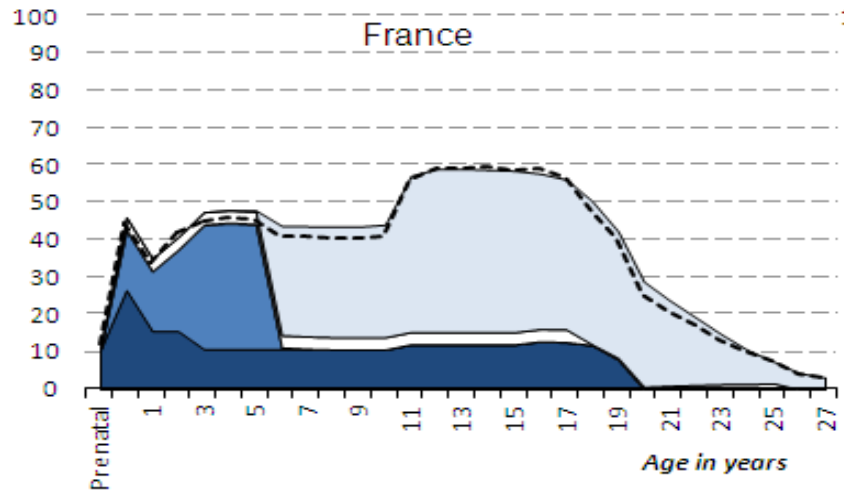
Public social spending as % of GDP, 2007



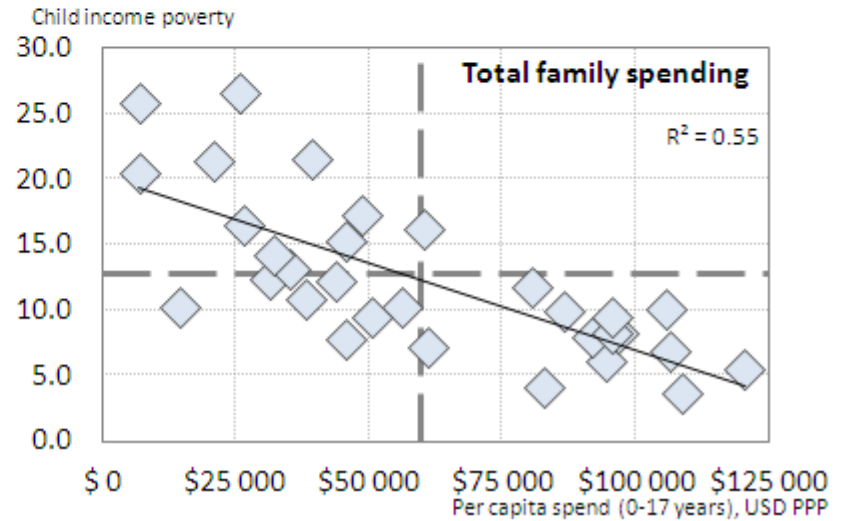
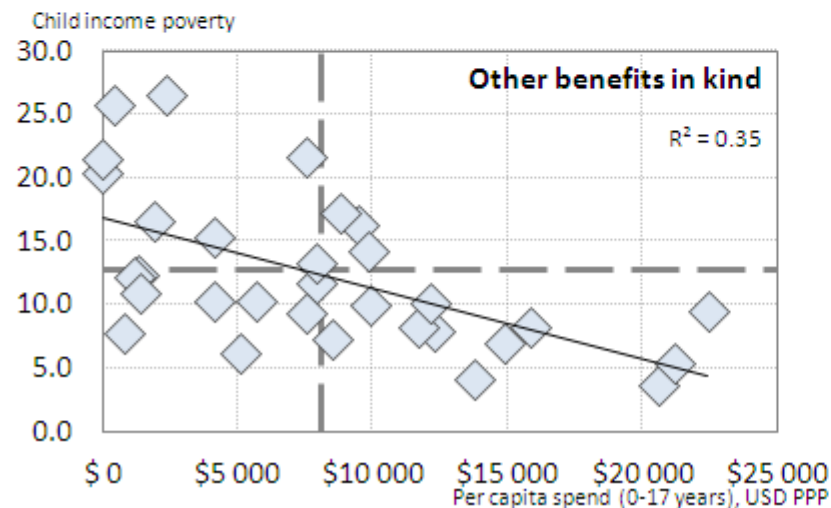
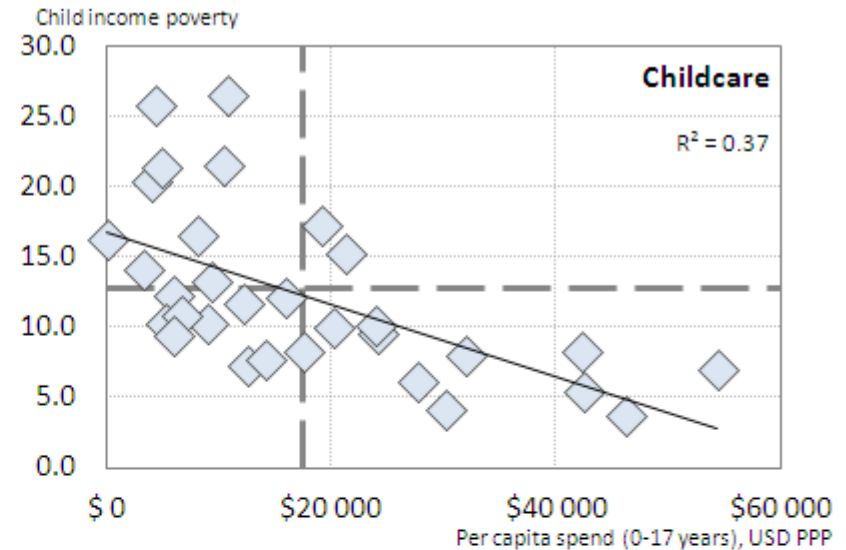
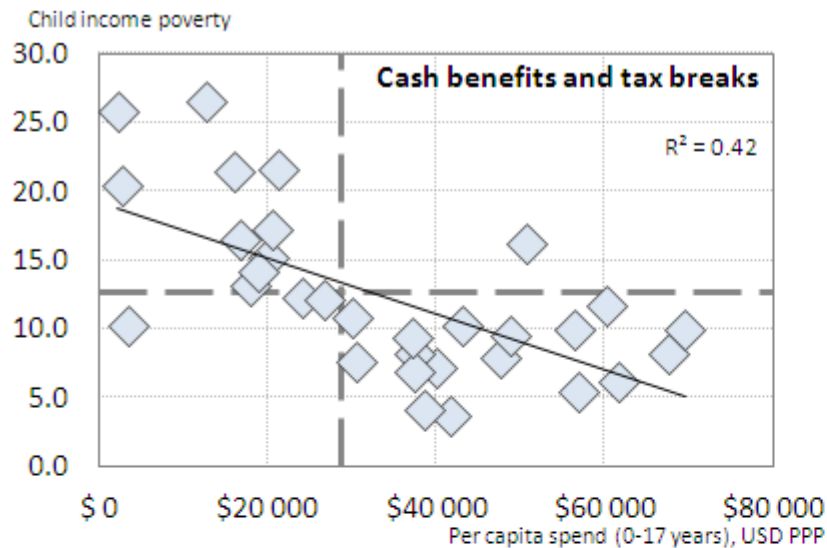
Data on tax breaks towards families are not available for Chile, Estonia, Greece, Hungary, Israel and Slovenia.

Family spending strengthens as kids age

Cash benefits
 Childcare
 In-kind benefits
 Education
 2003 profile



Overall welfare effort matters

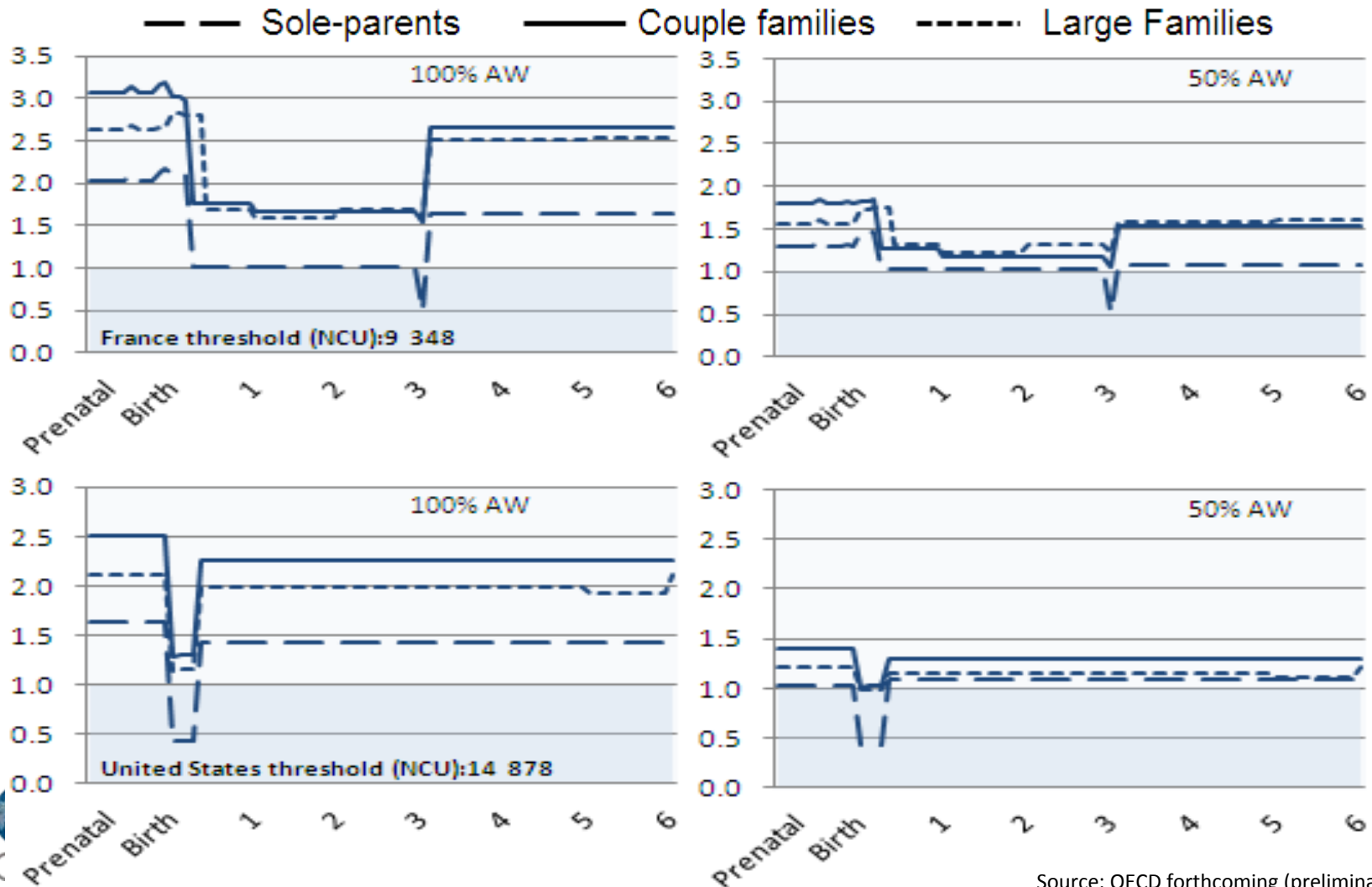


Limitations of the age spending analysis

- **Average spending by age, but what about differences by:**
 - Family type
 - Family size
 - Income
- **Only public spending, not private**
- **Cross-section assumes temporal stability**
- **Health spending and take-up has been tested (though not variation in take-up)**

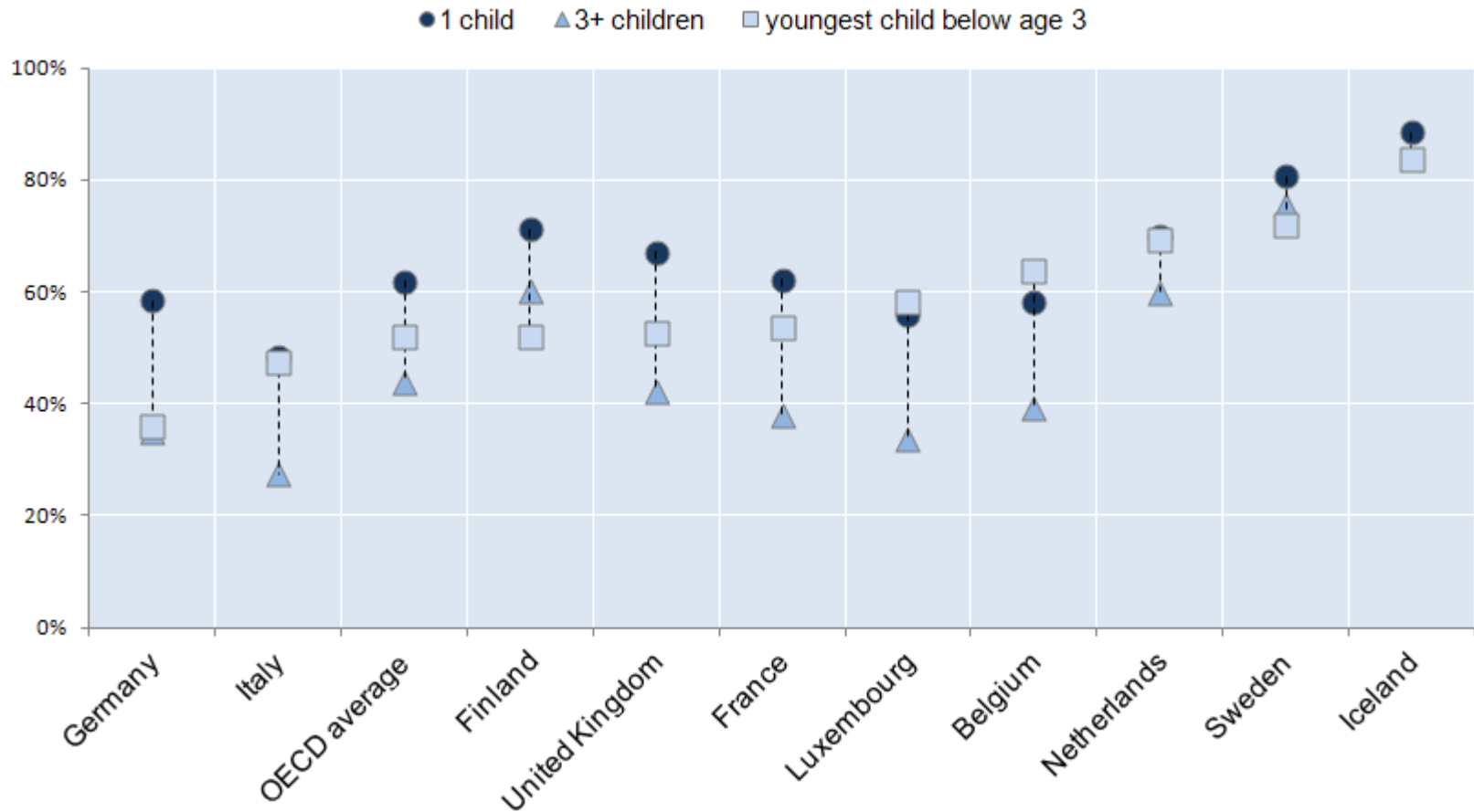
Risks of poverty are most acute during early childhood, and vary by family types

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



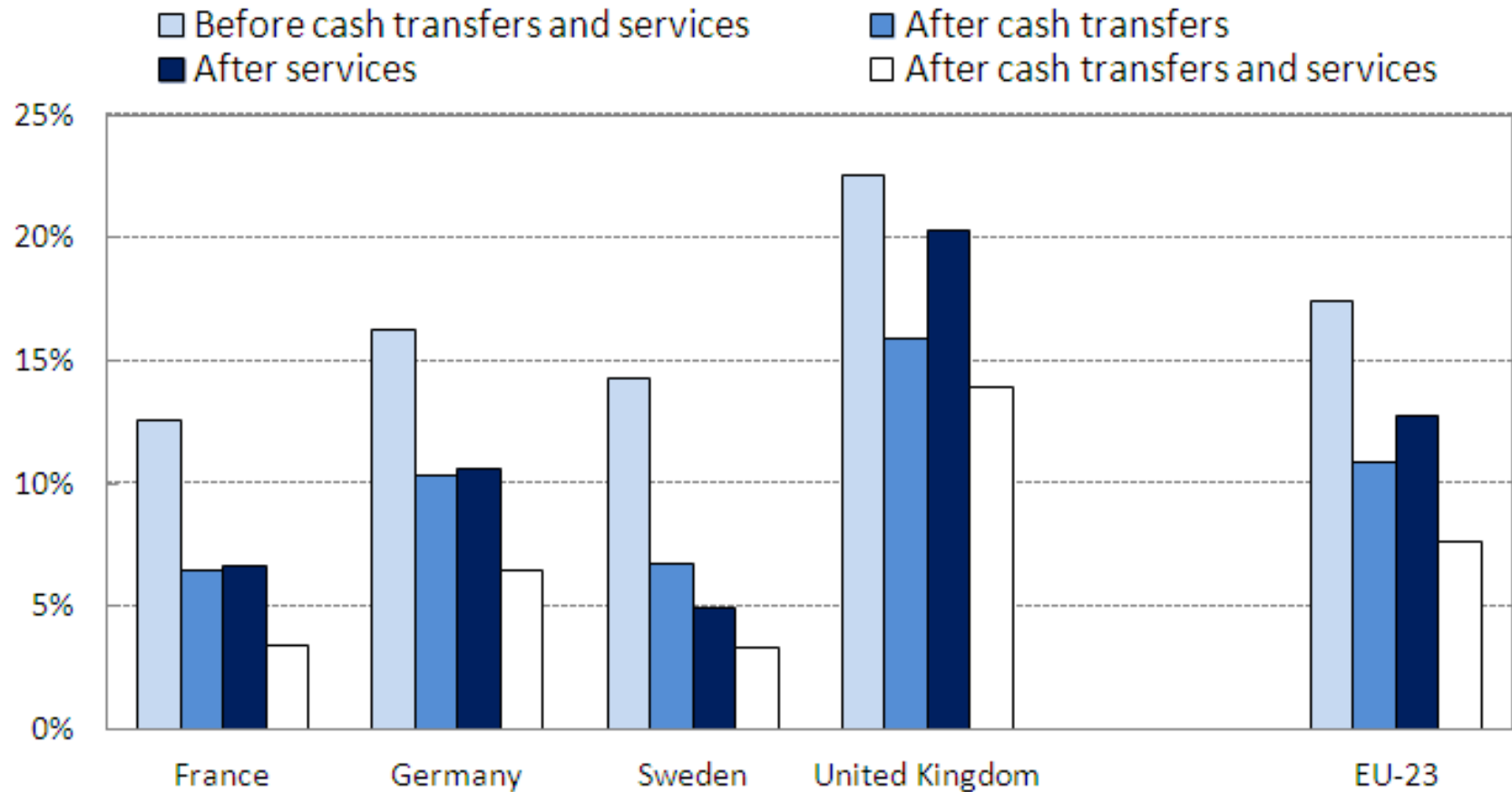
Work by age and number of children

Fewer mothers are employed in larger and younger families

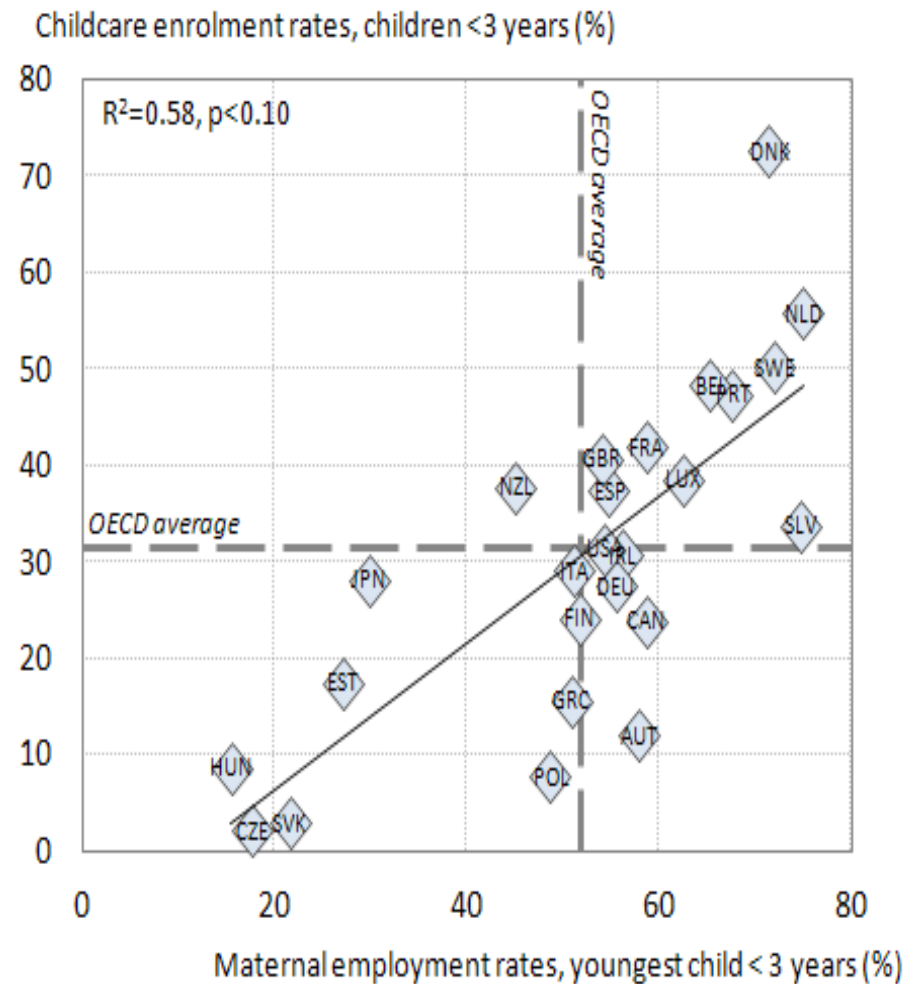


Services can contribute to poverty reduction, similar to cash

Poverty rates among young children before and after accounting for cash transfers and early childhood and early education services, 2007



Childcare, working mothers and child poverty



Family policies and the crisis

- **Stimulus:** temporary cash benefit increases, some evidence for childcare expansions (examples in Germany, Italy, Austria)
- **Austerity:** freezing child payments and restrictions to coverage, cuts to baby grants, reducing leave lengths, cuts to housing benefits (examples in the United Kingdom, Spain, Finland)

Family policy in the OECD: varied objectives!

- Promoting choice for parents in reconciling work and family life
 - Mobilising hitherto unused labour supply
 - Enabling people to have children at the time of their choice
 - Enhancing gender equity
 - Reducing family poverty and enhancing child development

Upcoming work?

- **Greater use of longitudinal data**
- Map the evaluation of CWB outcomes by age
- Prioritising interventions in early childhood
- **Greater use of trend data**
- **Natural policy experiments (CWBM)**
- **Collocation of services for children**
- **Youth policies (beyond NEET)**

Some relevant links

www.oecd.org/els/social

www.oecd.org/els/social/expenditure

www.oecd.org/els/social/family/database

www.oecd.org/els/social/childwellbeing