GOOD PRACTICES IN ANTI-POVERTY FAMILY-FOCUSED POLICIES AND PROGRAMMES IN DEVELOPED COUNTRIES

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1. Introduction

The failure in developed countries over recent years to reduce income poverty has been elaborated many times over (Förster and Richardson, 2010, OECD, 2011). Despite innovations in spending and policies on families and children – and new efforts over recent decades to encourage more families into work – poverty rates have been creeping up.

This paper introduces good practices in anti-poverty family-focussed policies and programmes in this context.

After addressing the general question 'why should developed countries continue to concentrate on income poverty reduction?', this paper looks at who spends what on family policies in OECD countries, and how income poverty in families, and particularly sole parent families, has evolved over recent years. It then goes on to look at three types of family policy in detail. First, overall tax and benefit packages and their poverty reduction effects are introduced; second, a focus on childcare policy is used to highlight its role in enabling families to work, and how in-kind benefits protect families from poverty by reducing private costs they otherwise might have to face; and finally, the role of child support policies for reducing income poverty in sole parent families is explored.

2. Why concentrate on income poverty reduction?

To begin with, it is worth asking – particularly in light of recent efforts to move the measurement of social progress from growth (GDP) and income (poverty) in to area of well-being – if poverty reduction should remain the priority for families in developed economies in the 21st century. What makes for a happy and productive family life? How important is measuring poverty today when we can measure outcomes like well-being, happiness, and stability? And perhaps more acutely, given the inability of many governments to reduce poverty over recent decades, have we reached a point where income poverty, as we see it today, is an acceptable level of income poverty in developed countries?

Partly a continued focus on poverty is acceptable because it is a prominent and agreed international measure of family living standards. It can be used to monitor how families fare now, and due to its comparability across countries over time, it is a powerful outcome measure for detailed policy evaluations of the success of government efforts to

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support families, which facilitates lesson-drawing between countries in terms of what works.

There is also a good deal of evidence on the links between a range of negative family outcomes and experiences of poverty. Evidence across developed countries generally agrees that children from poor households are more likely to grow up poor, experience unemployment, to have lower levels of education, and to experience a range of poor health outcomes and engage more often in many risk factors (see Box 1). Poverty has been linked to family breakdown, parental (particularly maternal) depression, social exclusion, and the take up of publically provided family services (see section 4.2).

Nevertheless, it is important to be aware of the limits of the income poverty measure. First, the relative poverty line used to measure income poverty in developed countries[2] can split families between 'non-poor' and 'poor' categories on the basis of a single dollar's difference. Second, poverty only increases the risks outlined above, it does not guarantee these experiences – there are more factors that need to be accounted for. Third, it is not fully known how non-poor families share/spend their money, intra-household spending will moderate any success associated with living in a non-poor household. Fourth, if we aspire to lives of equality of opportunity (or outcomes in and from childhood), and healthy functioning families, interventions should focus on building capacities and resilience, rather than making up differences in income.

Moreover, there are many families that live in extreme poverty that are not included in many of the cross national statistics. Indigenous families or Roma families, homeless families, or families where the parents or children are institutionalised often do not make it into the household surveys. Often these families are at the most acute risk of poverty. For instance, evidence would suggest that risk of poverty and deprivation in Roma families in Europe can be 4 to 6 times higher than that of the general population (Frazier and Marlier, 2011).

Box 1: New evidence on family affluence and children's health and behavioural outcomes in developed countries

HBSC's 2012 report, looking at results from the 2009/10 survey wave, reports both descriptive statistics of child well-being indicators (such as subjective well-being, children liking school, bullying and obesity) for 11, 13 and 15 year olds, and the statically significant differences across these measures in terms of gender and family wealth at the country level (using the HBSC family affluence scale).

A quick summary of the social gradient results makes for pretty grim reading. There are only a handful of cases where poorer children are not reporting significantly worse outcomes (both boys and girls) than richer children across all countries in the study (there are 41 countries in total, 28 of which are OECD countries). Bucking this miserable trend (although results are mixed at best) are indicators of: whether children like school, whether children are feeling pressured at school, whether children are undertaking weight loss behaviour, whether children are watching more than 2 hours of TV per day

[2] 50 or 60 percent of the median equivalised household income.

(in poorer European countries richer kids are more likely to do this, in Germany the US and France poorer kids watch more TV), and risk behaviours of drunkenness and cannabis use.

Interesting gender results are shown for fighting, bullying others and early sexual activity. The cross-country picture for these indicators shows that in most countries either rich boys or poor girls are significantly more likely to undertake these activities. Moreover, and more generally, girls see a much quicker drop-off in terms of positive behaviours and outcomes across a range of indicators, including subjective life satisfaction and subjective health complaints, than boys between the age cohorts across the majority of countries.

For more information see: Currie *et al* (2012).

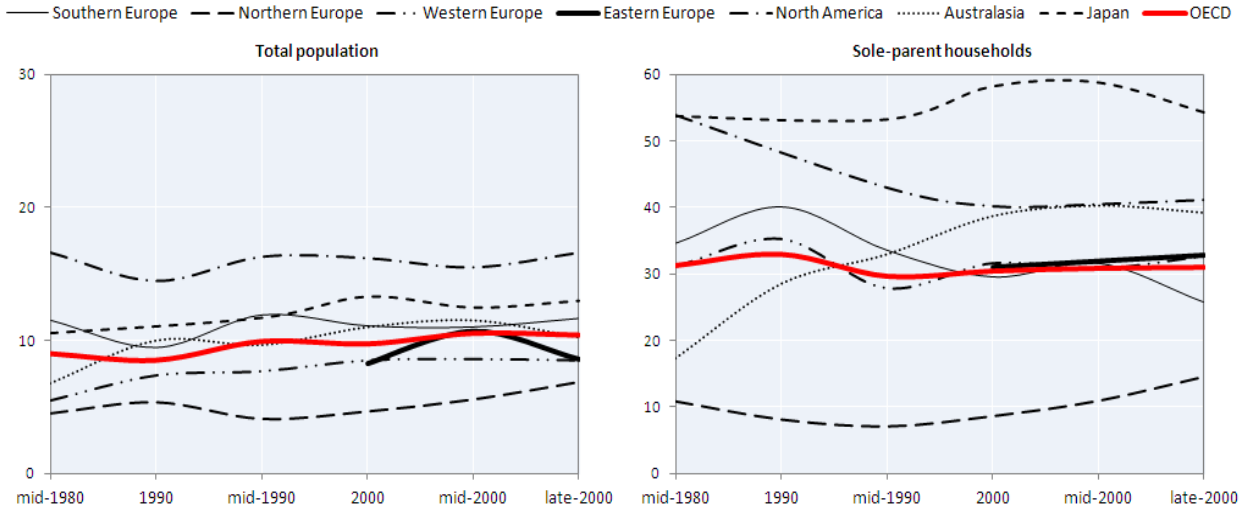
Have we reached a point where present levels of income poverty in developed countries are acceptable levels of income poverty? What might be an effective level of child poverty eradication; a rate below 5% measured at 50% or 60% of the median household income?[3] Five percent still means one in 20 children living in poverty; the most recent figures show that at the moment child poverty on this measure stands at nearer 1-in-5 in Europe (60% threshold), and on the basis of the OECD measure (50%) the number is nearer 1-in-8 children in poverty.

Although it is inappropriate to suggest any number of families or children should live in poverty, in light of the limitations of the measure, truly eradicating poverty will not mean much if all it achieves is to leave families living in the same conditions, but just above an arbitrary line of acceptable income standards (for thoughts on the limitations of child income poverty measures see Richardson & Bradshaw, 2012). On the other hand, many would acknowledge that because we know that income poverty measured in this way links to so many other poor outcomes in developed economies, a rate of 1-in-5 to 1-in-8 children living in poverty is unacceptably high.

Figure 1 outlines the trends in income poverty rates in all families with children (left-hand chart) and in sole parent families. With the exception of Eastern Europe, and in the OECD as a whole, poverty rates among all families have been creeping up. The picture is mixed for sole parent families, with rates in Australasia and Northern Europe rising from low levels over the period, and above average rates in North America and southern Europe showing falls. Note however, the scales on both graphs, around 1 in 3 sole parents in the OECD live in poverty (rates are around 30%), in all families the average is less than one in ten.

[3] The UK government, in the late 1990's, stated a goal to eradicate child poverty by 2020. A European Commission report states that by 'eradicate' the UK government said this could be interpreted as being at a level amongst the lowest in Europe (see EC, 2008: 120). In 2010 the country with the lowest income poverty rate for households with dependent children, as reported by EUROSTAT, was Norway at 9.2%.

Figure 1: Trends in poverty rates in OECD regions, mid-1980 to late-2000



Data refers to the unweighted average of all countries in the region for which data are available. The regions are defined as follows: Southern Europe includes Greece, Italy, Portugal and Spain; Northern Europe includes Denmark, Finland, Iceland, Norway and Sweden; Western Europe includes Austria, Belgium, France, Germany, Ireland, Luxembourg, the Netherlands, Switzerland and the United Kingdom; Eastern Europe includes the Czech Republic, Estonia, Hungary and Poland; Australasia includes Australia and New Zealand.

Source: OECD Income distribution and poverty database (www.oecd.org/els/social/inequality).

Income poverty remains a focus in 21st century developed economies because it remains a problem despite many efforts to reduce it, and will continue to be a focus even if a change in direction (in terms of policy goals) takes place. For one, income poverty in families reduces the efficiency of efforts put into services – such as education or health – to improve the living standards of families in developed economies. Moreover, building capacities and resilience takes time, and for many families the window of optimal opportunity may already have passed. For future families, there is time to reconsider the priorities, in the meantime reducing income poverty remains an important social goal, and a priority for many of today's families.

3. What policies are available to reduce family poverty?

At the national level, comparisons of spending on family specific policies in developed countries categorise policies into:

- **Cash benefits** including: family allowances, designed to support families with the costs of raising children, which can vary on the age of their children, family size and the income of the family (universal or mean-tested). In some countries both universal family benefits and working family tax credits (or another work or income conditional benefit) are available. Parental leave benefits to support families to care for the youngest children, such as maternity, paternity and extended home care leave benefits (e.g. child raising allowances) are paid either on the basis of social contributions, or universally for a limited number of weeks or months most often at a percentage of earned income (sometimes to a cap). Parental leave benefits are sometimes conditional on health checks or meeting residency conditions. Birth grants in one-off or multiple payments (such as in France), can also be paid conditionally on the basis of health checks at or around the time of birth. And finally, other cash benefits can be paid – separately from those above – to help meet specific needs of groups such as sole parent families or families with disabled children (child support/maintenance, travel, food, accommodation costs, household items). These benefits can be paid either periodically or in grant form.

- **Family specific tax breaks or allowances**: are relatively new forms of family intervention for reducing poverty, gaining in popularity since the early 2000's across OECD countries as welfare to work schemes became more popular. They are received by working families in the form of reductions in their income tax bill. Sometimes 'non-wastable' – that is the difference in cash is paid to working families whose tax bill is lower than amount of the tax break – and on rare occasions (as in Japan) paid at different levels depending on the age of the child dependent.

- **Services delivered in kind** including: childcare and afterschool care services delivered free at the point of consumption or subsidised, with families becoming eligible on the basis of children's ages, family income or parental employment status. Other benefits in-kind can include home help or accommodation services, and services for transport, holidays or child protection purposes. These contribute to subsidising family costs, combating forms of deprivation and exclusion, and in extreme cases housing or re-housing families or children at risk. Services, unlike most family cash benefits, have capacity considerations and time considerations (opening hours), and are often delivered at the local authority/municipality level.

Other benefits that form part of the anti-poverty package, but are not paid solely to families with children, include: pensions, housing benefits, social assistance benefits, unemployment allowances, and general earned income tax breaks or allowances. In a number of cases these will include supplements for children, which can vary in amount by age or family size, and in some cases be subject to means-tests which can include or exclude income earned by children in the household. Active labour market policies, for parents and young people (sometimes targeted), could also be included here.

The inclusion of services such as education and health in the family package is also necessary to appropriately review the impact of anti-policies in the broadest public welfare context. In Japan for instance, the birth grant is sometimes needed to pay the hospital costs around birth because they are not provided for free. In the United Kingdom the compulsory school day ends at least an hour before it does in France, meaning out-of-school care is in greater demand (although in France Wednesday is not a school day, in the UK it is). Moreover when adding education and health concerns, spending on families with children increases dramatically, and mainly through the costs of providing for public education (on average across the OECD, 3 in every 5 dollars spent on the average child goes through the education system – see OECD, 2011, Chapter 2).

On occasion, due to limited budgets or places, full coverage of the eligible population of any benefit may not be possible. Under-optimal levels of coverage can restrict the anti-poverty effects of these benefits, and should be considered when assessing the overall value of the policy. Childcare services can be oversubscribed, for instance, or cash benefits may be paid out of block grants meaning that later applicants, though eligible, may not receive the benefit (although the latter is rarely seen in mainstream family benefits and not in those paid on the basis of social contributions). Moreover, due to error, stigma or lack of information, take-up rates of these benefits may be less than optimal also. Though not discussed in detail here, these issues reflect on the more complex considerations of what makes for a good anti-poverty policy beyond discussions of ‘how much’, ‘how often’, ‘how’ and ‘for who’.

How these policies interact to reduce family poverty should also be considered. Families in receipt of certain benefits may be ‘passported’ directly to another benefit (in the UK receipt of housing Benefit makes a family eligible for Council Tax Benefit). In some cases income from one benefit can be treated as applicable income in the means-test for another benefit. The results of these types of interactions can be compared using poverty estimates before and after tax, or by comparing the net incomes for different model family at different earnings levels (see section 5.1).

3.1 Spending on family welfare in the OECD, recent changes, and associations with poverty

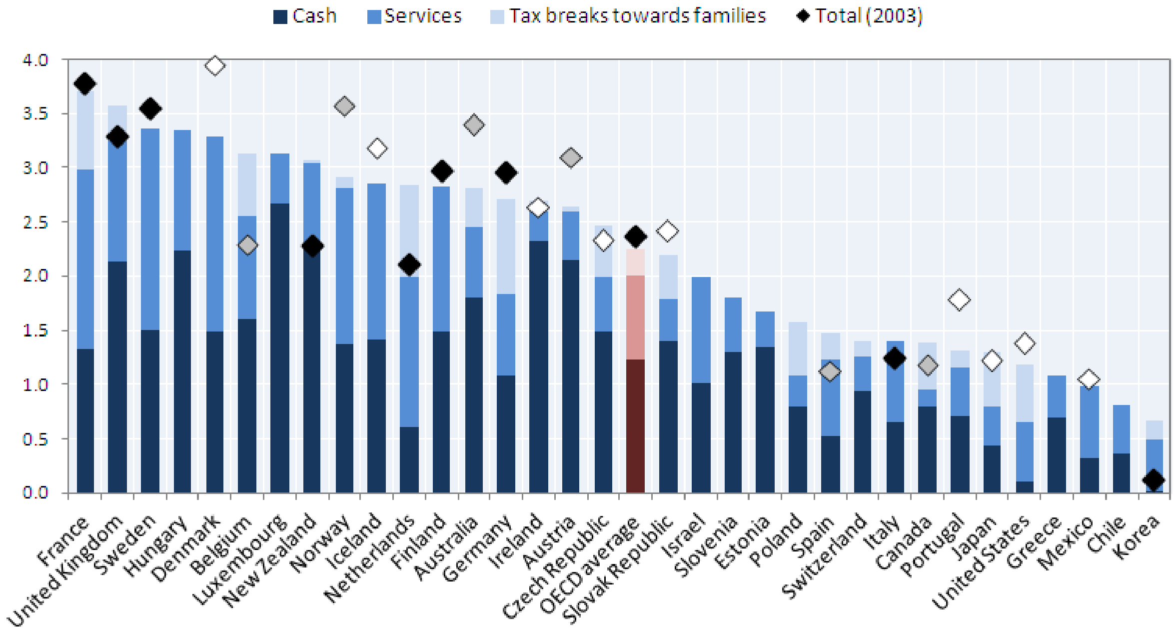
Figure 2 shows the spending on policies for families with children in OECD countries in 2003 and 2007 (the latter broken down by spending type). OECD countries spend around 2.3% of GDP on family policies on average,[4] around two thirds of which is delivered in cash benefits and tax breaks. There is not much consensus in terms of spending patterns in either the high or low spending range; for instance Sweden spends over 3% GDP on family benefits, a similar amount to the UK and France, but concentrates more effort on in-kind benefits, as oppose to cash or tax break interventions. Low spenders, such as the United States, Greece and Mexico spend around 1% of GDP on families, but do so in different ways.

There is more of a consensus in terms of how spending has changed in recent years. The diamonds on the charts show spending rates in 2003, and are colour coded to show which policies have seen the biggest shifts in spending. Low spending countries on the right-hand side of the chart are experimenting with cash policies, the high spenders are experimenting with changes to services policies. Australia, Austria and Norway, have all substantially lowered family spending, with cuts to tax break policies leading the way. New Zealand, the Netherlands and Belgium, are now above average spenders, for the

[4] To put this in context average education spending is around twice as high, and total social spending – including pensions, social assistance and so on – is around ten times as high (OECD, 2011)

formers two countries this expansion favoured service expansion, for the latter, tax breaks made the gains.

Figure 2. Public spending on family benefits in cash, services and tax measures, as a percentage of GDP, 2003* and 2007



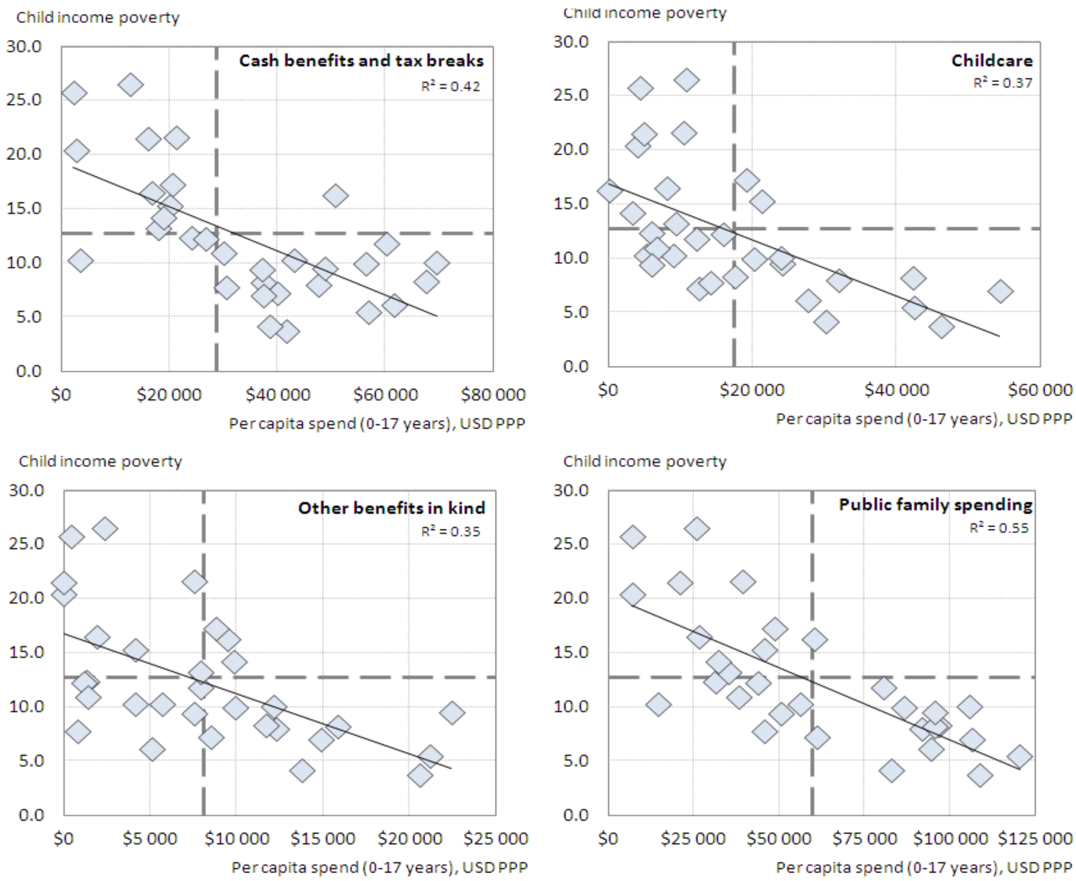
Note: *White diamonds = largest increase/smallest decrease in spending in Cash transfers from 2003 to 2007; Black diamonds = largest increase/smallest decrease in spending in Services from 2003 to 2007; Grey diamonds = largest increase/smallest decrease in spending in Tax breaks for families from 2003 to 2007. Cash benefits include family allowance, maternity and paternity leave and other cash benefits. Services include day-care / home-care help service and other benefits in kind. Public support accounted here only concerns public support that is exclusively for families (e.g. child payments and allowances, parental leave benefits and childcare support). Spending in other social policy areas such as health and housing support also assists families, but not exclusively, and is not included here. Data on tax breaks towards families is not available for Chile, Estonia, Greece, Hungary, Israel and Slovenia. Coverage of spending on family services (including childcare) may be limited as such services are often provided, and/or co-financed, by local governments. This can make it difficult to get an accurate view of public support for families across, especially but not exclusively, in federal countries.

Source: OECD Social Expenditure Database (www.oecd.org/els/social/expenditure)

Figure 3 shows how the raw level of investment on families matters for reducing poverty rates. Increasing levels of cash payments, childcare and benefits in-kind in dollar terms per child, all associate with lower child income poverty rates in OECD countries. The differences in the association strengths can be explained, in part, by the nature of these transfers, and importantly how income poverty is calculated. For instance, cash benefits directly affect measureable income in all families, whereas families with low incomes before benefits cannot free-up disposable income by accessing services that they would otherwise not take-up because of lack of money (childcare, accommodation etc.). Because of this, the poverty reduction impact of these measures is not directly (but rather, broadly) comparable, and so cautious interpretation of the result is required.[5]

[5] Add to this 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

Figure 3: Associations between spending types and risks of poverty during childhood



Source: OECD 2011

4. Examples of policies that reduce family poverty

This section looks at the combined effect of tax and benefit policies on child poverty rates in OECD counties, before moving on to look at childcare policies and then child support policies. The latter sub-sections will provide a short description of good practise at the national level.

4.1 Taxes and benefits in OECD countries

There are two possible ways to explore the role of the entire family tax benefit and package on income poverty rates (the package does not include education, health or other services). First, by looking at the difference between market and disposable income poverty rates, and second, by looking at benefit package generosity across countries relative to poverty risk. This sub-section does both in turn, looking at poverty reduction overall, and generosity in family benefit packages by age.

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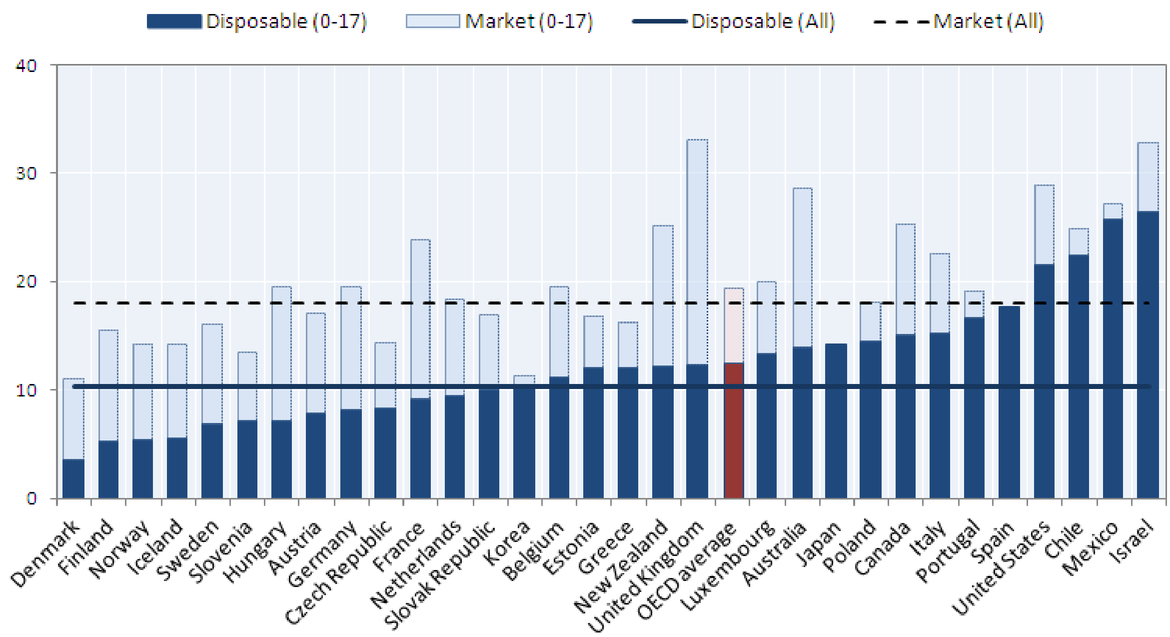
interventions can impact on other measures of living standards such as deprivation or subjective perceptions of poverty.

Figure 4 reports child income poverty rates in OECD countries based on market (before taxes and transfers) and disposable (after taxes and transfers) income, in the mid to late 2000's. The figure compares family poverty (represented by rates of child poverty) with poverty rates in the general population on average across the OECD (the horizontal lines).

In the OECD on average, the market poverty rate for children is higher than that in the overall population (at 19.5% in comparison to 18%). The gap between the horizontal line and the OECD bar grows for the disposable income poverty rate (12.6% compared to 10.4%), showing that overall benefits for families with children are less effective at reducing income poverty than benefits designed for the general population.[6]

Results by country show that the UK, France and Australia have the largest percentage point falls in poverty after taxes and transfers (although in the UK market income poverty is second highest in the OECD). In contrast, tax and benefit systems in three high poverty countries (Portugal, Chile and Mexico), and Korea reduce market poverty rates only slightly. The broader picture shows that there is greater consistency in poverty reduction efforts among countries on the left of the scale (those with low disposable income poverty rates) than among countries on the right of the scale. The Nordic countries, Germany, Austria, Slovenia and Hungary, are countries that are relatively successful in keeping market income poverty low, and successful in reducing it further using the tax and benefit system.

Figure 4. Child poverty rates based on market (before taxes and transfers) and disposable (after taxes and transfers) income, mid to late 2000s

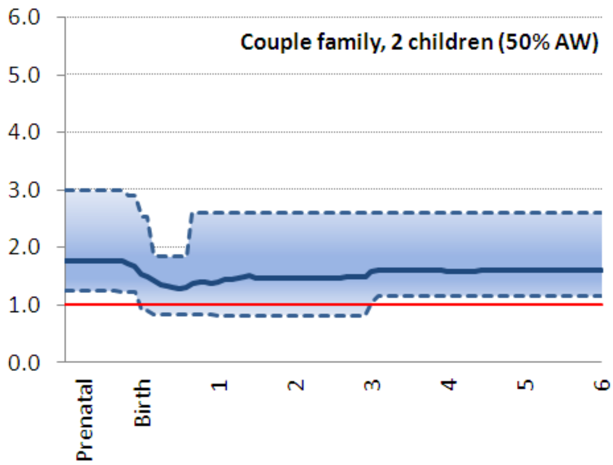


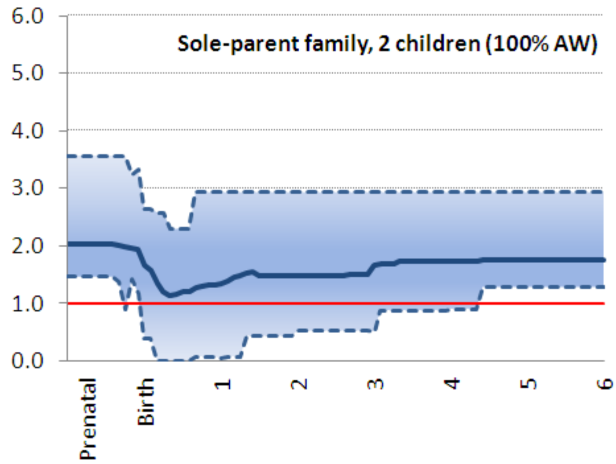
[6] Strikingly, in 2009, Norway with the lowest dependent child poverty rate in 2010 was the only European country whose social security package reduced family poverty at a rate higher than poverty reduction the general population. There are likely to be lessons for competing public interests, balancing public spending, and intergenerational solidarity here.

Note: The poverty rate is defined as the proportion of the given demographic that lives in households with equivalised disposable incomes that are less than 50% of the median equivalised disposable income of the entire population. The total height of the bar is based reflects the difference and is not cumulative. In couple of cases (Japan and Spain), the market income poverty is lower than disposable income poverty, and this is likely to be due to redistribution occurring above the threshold of half of the median market income in that country.
Source: OECD Income distribution and poverty database (www.oecd.org/els/social/inequality).

Going on to look specifically at changing support to families as children age – and in the early years of life when family's labour market attachment is at its weakest – the upper, lower and average support of families in the OECD relative to the income poverty line will be reviewed. Figure 5 does just this, with the y-axis reporting net income relative to the income poverty rate (1 on the scale) and reporting the child's age on the x-axis. The solid line is the OECD average, and the dotted lines show the maximum and minimum net incomes in the OECD over the early life cycle (benefits and tax breaks plus the family's net earnings). In both households (couple families on the left, sole parents on the right) total gross income is equivalent to one average national wage.

Figure 5: The range of OECD family benefit packages for average earning family by type, as children age (data for 2008)





Source: Author's calculations of OECD Tax and Benefit Models for 2008.

The results have important similarities that can elucidate some anti-poverty policy lessons. First, family income falls permanently following the birth of a child in both households because of additional costs – no OECD country fully makes up for that cost; second, there is a tendency for tax and benefit support to be at its lowest immediately following birth for up to a year; third, it can take up to three or four years for all families to live out of poverty if full leave entitlements are taken up (sole parents have longer leave entitlements in some countries); and fourth the position of the OECD average in relation to the limits, show that there is more consensus on 'floor' than on 'ceiling' limits in benefit payments.

In terms of differences, there are more lessons for anti-poverty policies. First, the range of incomes experienced by sole parents are higher than couple families because of the stability associated with an additional earner – this 'second earner stability' is not recreated in all systems. Second, net income for couples starts and finishes lower on average because across the OECD joint tax burdens for a couple on average wages are higher than on a sole parent earner on average wages. And third, in some countries (including the United States) unpaid or low paid leave means average-earning sole parents with newborns can experience having no or low incomes during the leave period following the birth of a child.

4.1.1 The importance of employment for reducing poverty and inequality

A final comment at this stage, is that across the OECD, employment is (and so employment policies are likely to be) the best defence against poverty.[7] Across the OECD, jobless households have a poverty rate (at around 50%) almost three times higher than families with one earner (at around 17%). The risk of living in poverty in two earner households is lower still, at 4% (OECD, 2011: 41). The figures hide a wide range of outcomes: in Germany and Norway dual earner families have poverty rates of less than 1% (0.6% and 0.2% respectively); whereas as jobless couple families in Israel and the United States have poverty rates of over 80% (86% and 84% respectively).

As shown above, market income poverty can predispose some countries to high disposable income poverty rates (market income poverty is also growing in many countries – see OECD, 2008). Employment, particularly of second earners, has an important impact on market inequality which drives market income poverty rates. In particular, increasing the labour force participation of women has the general effect of reducing household earnings inequality (see OECD, 2102).[8] To reduce market poverty, bringing underrepresented groups, such as mothers, into the labour market will increase family earnings and household income, and reduce poverty risks. However, if labour market participation is limited to short-hours or precarious jobs without career possibilities, income poverty cannot be reduced sustainably (or income poverty just becomes in-work income poverty).

4.2 Childcare policies and poverty reduction

One way of helping families take on work, and to be secure in that work, is childcare. Childcare is often considered a panacea for the multiple goals of family policy, reducing gendered burdens of home care responsibilities, supporting child development, and freeing up parents to work and reduce poverty (the following analysis will concentrate on the latter). In contrast, opposition to extensive childcare is raised using the opposite arguments, that an expectation of families to use childcare gets in the way of home-caring for children, or that child development is hindered by early access to childcare or settings of low quality.

[7] It is appropriate to mention here that periods of low income (if not defined as poverty) can contribute to the depreciation of household goods, and use of credit options and savings, that can increase future costs and future poverty risks. And that, although some 'non-poor' jobless households might not be officially defined as in poverty, their incomes will be low, and future income risks and insecurity are likely to be similar to those experienced by 'poor' families.

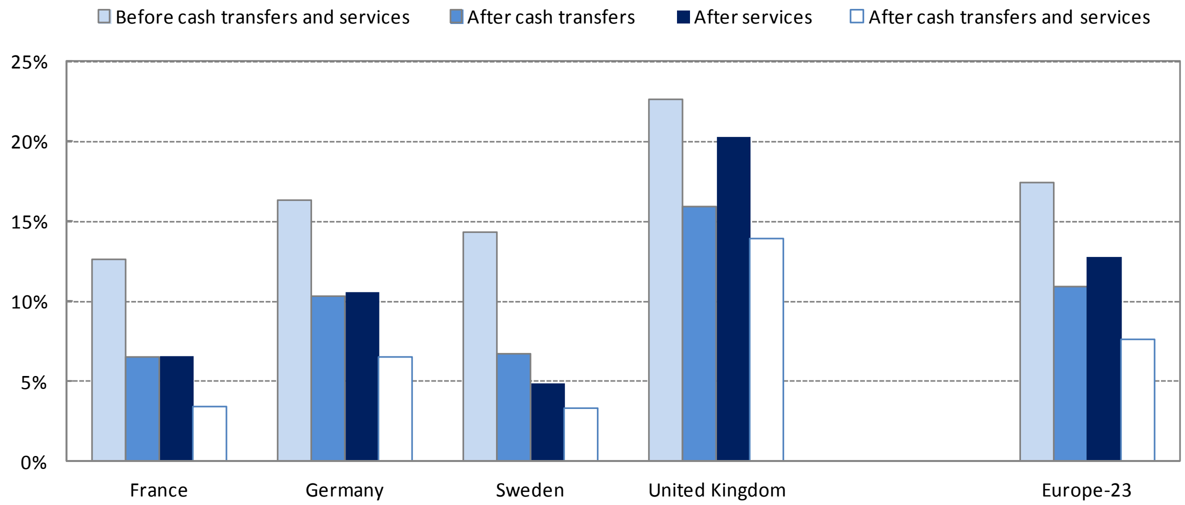
[8] A debate on how unpaid work is shared by gender, and childcare provision, is needed to fully understand the how realistic increasing women's labour market participation.

Concentrating on poverty reduction aspects of childcare (and building on the evidence of figure 3) a test for comparing the poverty-reduction effect of cash transfers with that of childcare services is introduced. Förster and Verbist (2011) show how both cash and childcare can substantially lower poverty risks, both together and separately, in households with children aged under 7. Comparisons of the distributive impact of these two policy instruments can be a guiding element when it comes to make choices of shifting parts of the budgets from one instrument to the other, for the purposes of combating family poverty.

Figure 6 presents the estimates for four EU countries – France, Germany, Sweden and the United Kingdom – as well as the unweighted EU average. Cash family transfers and childcare services taken together reduce the poverty risk among families with under-7s by more than half on EU average: from around 17% to around 8%. On EU average, family cash transfers reduce poverty among young children to a somewhat larger extent than childcare services (by 37% versus 26%). The respective strength of poverty reduction effects of cash transfers versus childcare services differs 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 6: 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).

A concern for this type of evidence is that often lower income families are not using childcare as much as higher income groups (OECD, 2011: 144). One explanation for this trend – particularly in countries like the United Kingdom and Ireland – is the high cost of childcare. In Portugal, the reasons for this trend are different, and due to capacity constraints in subsidised care, whereas in Belgium and the Netherlands the difference is due to low-income migrant families caring for children at home (ibid).

4.2.1 A specific country example of good practice

Of the countries shown above, and in comparison the European average, the Swedish childcare system has a much stronger independent impact on poverty reduction than its cash benefits for families with children below the age of 7 (it is notable however that the combined effect of French cash and kind interventions has a similar final outcome).

One reason for this is that access to childcare does not show any income-level bias – meaning poorer families in Sweden are equally covered by the service; and via increased earning or reduced private costs for this group, or both, increased disposable income reduces their overall poverty risks.

But how come Sweden manages to support the access of low income families to childcare when other countries have problems? For one, Sweden is the third highest spender on childcare in the OECD, investing more of its overall family purse on childcare (and other services) than high cash and tax spenders like the UK and France (as shown in Figure 1, spending similar amounts overall). Because of this investment, childcare fees in Sweden are amongst the lowest in the OECD (for both couples and sole parents – see OECD 2011, chapters 4 and 6) and the additional ‘effective tax’ burden on second earners and sole parents entering work is low. Moreover, capacity in the childcare system is high, and enrolment is above the OECD average (around 70% compared to 58% on average – OECD, 2011: 143).

4.3 Child support policies

In contrast to benefits packages, and supports to enable families to earn income, are benefits designed specifically to support at-risk families. Child support is one such policy, and is of particular interest for efforts to sustainably combat poverty due to increasing rates of family breakdown, and sole parenthood, in developed countries. Child support policies can take various forms, though generally they are either advanced public child support payments or publically-assisted private payments systems.

Figure 5 reviews the anti-poverty impact of child support policies using associations between the coverage of sole parents achieved by the policy and amounts received by sole parents, and reductions in sole parent poverty rates.[9]

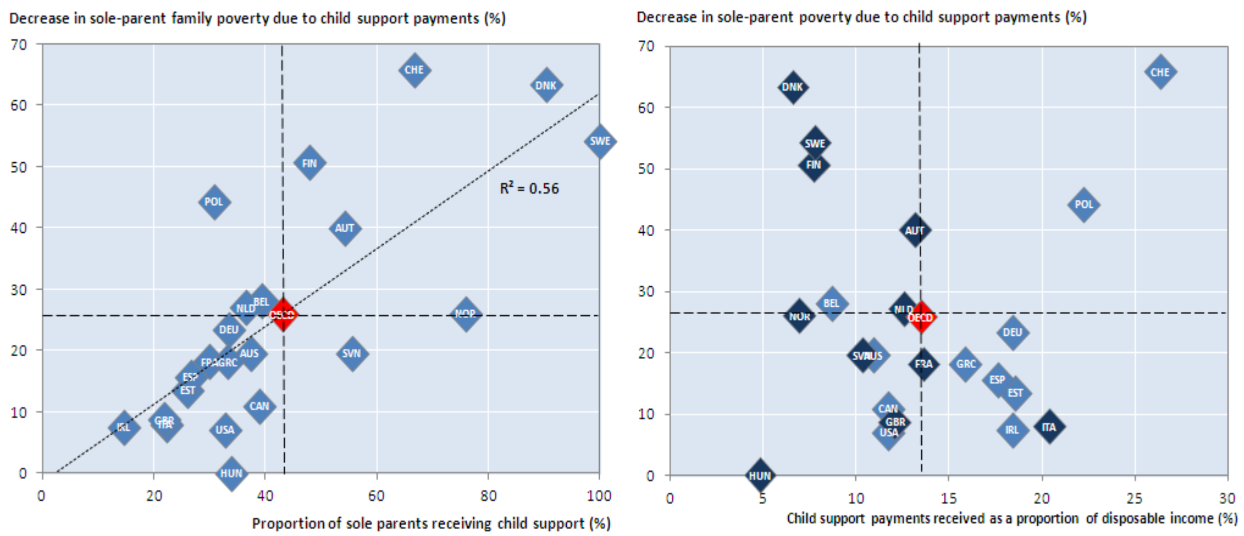
The left-hand chart of the figures shows a positive and strong association between the reduction in sole parent poverty rates achieved by the child support policy and the recipiency rate in the sole parent population (the benefit coverage). The higher the

[9] Step-families may also be eligible for payments, as well as payers of child support. This fact, and the fact that the final impact of child support should be considered net of any child support outgoings form the family in receipt, means that the results presented here should be interpreted with caution.

coverage of sole parents (top right hand quadrant) the less uniform the relationship. Slovenia is an example of a country with above average coverage but below average poverty reduction (relative generosity of the benefit is low – see the right hand chart). Poland on the other hand, is an example of a country with below average coverage, but with a higher than average anti-poverty impact.

The right-hand chart plots the fall in the sole-parent poverty rate after child support payments against the value of the average payment as a proportion of disposable income (the plots are colour coded, darker plots are countries with below average sole parent poverty rates to start with, and lighter plots have above average sole parent poverty rates). Trends in the data show that in most countries with low poverty and high benefit coverage, small amounts can make big differences – when coverage is low (Italy) low payments make little difference. The Polish example shows that in countries with low coverage, a high level of child support (above 20% of disposable income) is needed. Countries with low coverage and spending below 20% do not see similar falls in their sole-parent poverty rates.

Figure 5: Relationship between reduction in child income poverty in sole-parent families due to child support coverage and the amount of child support payments



Source: OECD's Secretariat estimates based on data from the Luxembourg Income Study.

4.3.1 A specific country example of good practice

The country with the second highest poverty reduction rate, with the second highest coverage, and the second lowest relative payment level is Denmark. The Danish system ensures regular payments are made to the parent with care responsibilities through publically provided advance payments that are later recouped from the non-resident parent obligated to provide financial help.

The reason for advancing the benefit is to ensure that all children receive child maintenance without regard to the behaviour or means of the non-resident parent. Resident parents can request the municipal social welfare office to make advance payments for children up to age 18 when the non-resident parent misses payment – the public office will then follow the non-resident parent to recoup the costs. Importantly, when the non-resident parent makes payments this is off-set against the maintenance payment, and not against income support payments (as in some other countries). This means applying for this support does not lead to reductions in other benefits, and associated increases in poverty risks.

Concerns with the Danish system include: the potential disincentives of the system for non-resident parents to meet their financial obligations; a flat rate which does not account for individual circumstances of children, and/or resident and non-resident parents (this may work in low poverty countries, this is unlikely to be as effective in high-poverty settings); and the lack of incentives for shared parenting (see OECD, 2011).

5. Where next for broad and sustainable poverty reduction strategies in times of continuing economic crisis?

Given recent developments in policy and family outcomes, and the continuing fiscal consolidation, some of the ways in which the financial crisis may affect overall poverty reduction strategies in developed countries are worth reiterating[10]:

i. economic stability and reductions in public budgets deficits are being prioritized over family income policies in the short-term (this is seen via public salary cuts, and family benefit cuts/freezes);

ii. austerity efforts are likely to affect certain family types over others, and increase poverty, and poverty risks, for different populations in the short- and long-term creating new future policy challenges (cuts to supports for mothers with newborns for instance);

iii. stimulus efforts, or limiting the impact of austerity measures, conditional on employment in times of low vacancies are unlikely sub-optimal. In some cases, real income poverty risks are likely to increase in jobless families compared to pre-crisis years;

iv. employment markets remain insecure, effecting the ability working families – that may be subject to changes in work conditions (including place) – to make investments in their futures and children's futures

v. in many countries youth unemployment is particularly high. Youth is the period of career, skills and importantly family formation, and is likely to create future challenges for both family and anti-policy policies;

By no means an exclusive list of the relationship between poverty risk, poverty reduction and the state of the economy, the points above shed some light on the potential for the poverty challenge and the family policy challenge in future years.

6. Recommendations

[10] See Richardson (2011) for a slightly longer list of considerations.

Family policy in developed countries is relatively slow moving with amendments at the margins of established policies being more common than overhauls of systems (this is true even during times of fiscal consolidation).[11] For this reason, and because it remains important to maintain a broad appreciation of the changes needed in public family welfare systems – despite the focus taken in this paper – recommendations have not changed a great deal since last year's EGM meeting (see Richardson, 2011).

- 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.

- 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 provide universal services with more intensive delivery to targeted populations (to maximise coverage by ensuring take-up in low income populations for instance), enhance social fairness and social integration of all the children, in the most cost-effective manner.

- Work should pay for both parents, it should be secure and sustainable; 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.

- To ensure employment opportunities are accessible to all families, including those with young children or without partners, and to complement good childcare

[11] Since 2008, across the OECD, crisis packages have included temporary 'stimulus' changes to family cash benefits and increases to childcare coverage (for example in Germany, Italy, and Austria). Subsequent austerity measures have included freezing child payments and restrictions to eligbility, reducing leave lengths, and cuts to housing benefits. The only wholesale changes so far have been in the form of the abolition of small scale (but arguably timely) benefits such as birth grants (see Richardson [2010] for family policy focus of stimulus and cuts, and Gauthier [2009] for a broader review of public policy changes in Europe). That said, plans are underway for major changes in the United Kingdom, via the Universal Credit policy, and in Greece the possibility of implementing single overarching social security benefit has been raised.

policies, governments should encourage all employers to offer part-time employment opportunities as well as flexible working hours.

- Maximising child support coverage helps to reduce child poverty in sole-parent families. Public child support or maintenance programmes are important tools in reducing child poverty, and are likely to become more so in the future. 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.

- In the absence of a system of advance maintenance payments, at least some part of the payment by the non-resident parents should directly go the child. In some countries if the resident parent receives income support, the payment collected effectively goes to the government to offset the cost of this support. This can create disincentives to non-resident parents to pay, and undermine the anti-poverty effect of child support.

- Child support systems should have simple payment formulae and procedures. Greater compliance (and so greater coverage in non-advanced systems) may also be achieved by: setting payment rates that account for the income position of non-resident parents.

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