



# Research Note

## ***Child poverty and ethnic minorities***

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### **Abstract:**

This paper is divided into two parts. The first is concerned with policies for addressing child poverty and reviews the studies carried out on this. The second part examines the incidence of child poverty among ethnic minorities on the basis of data from the EU-SILC. The data concerned are not directly on ethnic origin, since questions on this are not included in the survey, but relate to nationality and country of birth, which at least may be indicative of the position of ethnic minorities across the EU.

The analysis shows that children whose parents were born outside the EU have both access to a lower median income and a higher risk of poverty than those whose parents were born in the country concerned. This disadvantage does not seem to be wholly linked to the presence of children themselves in the households concerned, since a similar disadvantage is evident for households without children where all members were born outside the EU. The presence of children, however, seems to compound the disadvantage. In the EU as a whole, children whose parents were born outside the EU represented 5-6% of all children in the EU but make up 11-12% of all children with income below the poverty line. In Austria and Sweden, this proportion is over 25% and in Belgium and Luxembourg, around a third.

The disadvantage does, however, seem to be linked to employment. Children whose parents were born outside the EU are far more likely in most parts of the EU to live in households where no-one of working-age is employed and much less likely to live in households where everyone is in full-time employment. It also seems to be linked to low wage levels since in many countries a large proportion of the children concerned live in households where one or more of their parents is in work.

In the UK, which is one of the few EU Member States in which data on ethnic origin are collected, the evidence indicates that there are marked differences in the position of children from different ethnic backgrounds. The risk of poverty is, therefore, much higher for children in Bangladeshi or Pakistani families, for example, than for those in Indian families, which seems partly attributable to differences in family size. Accordingly, it is important to not to treat all children in ethnic minority families as if they were in the same situation.

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# ***Child poverty and ethnic minorities<sup>1</sup>***

This paper is divided into two parts. The first part is concerned with policies for addressing child poverty and, more specifically, reviews the studies which have been carried out in recent years on this issue, focusing in particular those undertaken on measures for reducing the risk of poverty among children in Europe. The second part examines the incidence of child poverty among ethnic minorities, or at least, attempts to throw light on this from the data available. It consists of two sections, the first using data from the EU-SILC to consider the relative level of income which children and the households in which they live have access to, distinguishing between children whose parents do not have EU citizenship or were born outside the EU and those whose parents are citizens of the country where they live or were born there. Since few countries collect data by ethnic origin, this is intended to represent an indirect means of obtaining an indication of the relative position of the children belonging to ethnic minority groups. The second section presents data from the UK, a country which does collect information on such groups, to show the risk of poverty among the children concerned and to highlight the differences which exist between those belonging to different groups. As is emphasised, these differences make it hazardous both to lump together ethnic minorities as if their situation was the same in all cases and to formulate policies to tackle the problem of child poverty among them without taking account of their differing situations.

## **I. Policies for reducing child poverty: a review of the literature**

### ***Aim and scope***

Child poverty is a particular concern in the EU and reducing the number of children affected a major objective of social policy in a number of Member States agenda. While poverty among children in Europe cannot be compared to that in the developing world, it has a special interest among the general public and for policy makers. Children are regarded as an especially vulnerable group because they have no direct influence over their well-being (Bradbury, 2003; Micklewright, 2004), while problems experienced in childhood can significantly affect their later life and their chances of securing a reasonable standard of living. (Bradbury, 2003; Micklewright, 2004; Heckman and Masterov, 2006; Danziger and Waldfogel, 2000).

The search for the best policies for reducing child poverty has been the subject of much research and debate. Family policies at national level, however, show little sign of convergence (Gauthier, 2002).

The aim here is to review the literature on the effectiveness of child-related public policies in alleviating the risk of poverty among children. Two main questions are addressed:

- What methods have been used to assess the impact of public policies on child poverty
- How effective are these policies in reducing child poverty and which specific measures seem to perform best?

The literature on these issues is extensive and in order to make it feasible to cover the main findings which are of most relevance in the present context, the review below is focussed on the main studies which have been carried out on EU Member States over the past ten years. The studies in question, moreover, are confined to those addressing the effect of child-related policies on the situation of families with children at risk of poverty. Trends in the relative number of children in households with income below the poverty line are, therefore, not covered.. A relatively comprehensive and detailed description of these trends and how they compare across countries can be found in Vleminckx and Smeeding (2001), Bradbury (2003) and more recently in (UNICEF, 2005, 2007 and SSO, 2005). The effect of macroeconomic developments, especially economic growth, on income inequalities and relative poverty are also outside the scope of the present review.

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While policies aimed at redistributing resources towards children are overwhelmingly concerned with reducing the risk of poverty among them, they can also be interpreted more generally as forward flowing intergenerational transfers that attempt to reduce the unevenness of life-cycle consumption. The same is the case when assessing the effectiveness of such policies. Measures to redistribute resources towards families to reduce the costs of bringing up children affect not only the well-being of parents and their off-spring, but, as a consequence of this, perhaps the decision as to whether or not to have children as well. These wider effects are left out of account in the present review which focuses solely on the impact of policies in reducing the risk of child poverty.

In what follows, the methods used in the relevant literature to assess the effect of policies on child poverty are first described and categorised and the main findings as to their effectiveness are then summarised.

## ***Methodological issues***

The concern here is to summarise the main methodological considerations which emerge from the literature in respect of:

- The way child poverty and the effect of policies are measured;
- The types of policy which can be distinguished;
- The methods used to evaluate the impact of policy.

### ***Definition and measurement of child poverty***

The definition of child poverty and the way that it is measured is closely related to the method used to assess the relevance and effectiveness of policies aimed reducing it. If a relative concept of poverty is adopted, the focus then is on the lack of economic resources to enable an acceptable standard of living to be attained within a given society (Bradbury, 2003). Economic resources can be measured in terms of either income or consumption or more broadly taking account of other aspects as well as income. In addition, the outcome for children can also serve as a measure. This is a relatively new notion based on a long-term approach that focuses on whether the present generation of children will succeed or not in school, and beyond that on the labour market. These various measures are examined below.

## ***Poverty as a lack of resources***

Measuring child poverty in terms of a lack of adequate monetary resources is a particular aspect of measuring income poverty in general, which is well documented and has become very standardised. Nolan (2000) however warns that the conceptual and measurement basis of poverty is still less commonly agreed than that of other indicators like unemployment or inflation (cited by Bradbury, 2003). There are a number of critical aspects of measurement in this regard which strongly affect the results of the analysis<sup>2</sup>.

- *Definition and measurement of income.* The most comprehensive and detailed definition of household income used by most research studies comes from the Canberra Group (Expert Group on Household Income Statistics, 2001). Household income in any year is comprises earnings, income from self-employment, capital income, social insurance and other public transfers as well as inter-household transfers. A major issues is whether and how far non-cash benefits, such access to free education and health care or , housing allowances, should be included and whether or not income should be measured after any essential costs relating, in particular, to housing or child care<sup>3</sup>. There are also problems relating to the measurement of income and using this as an indicator of the command of households over goods and services<sup>4</sup>, as well as comparing this across countries, which involves adjusting for differences

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<sup>2</sup> For a detailed and comprehensive presentation of relative income child poverty measurement see Bradbury (2003), Bradbury and Jäntii (2001: 12-13), Corak (2005).

<sup>3</sup> See, for example, Garfinkel, Rainwater and Smeeding (2004).

<sup>4</sup> See, for example, UNICEF, 2005: 10; Hill and Jenkins, 1999

in price levels across countries (i.e. through calculating purchasing power parities or standards) and choosing an appropriate basket of goods and services for this<sup>5</sup>.

- *Consumption unit and equivalence scales.* The income poverty approach in respect of children usually assumes that all members of the family share the same standard of living. Differences in household size and composition need to be explicitly allowed for to compute a meaningful measure of per capita household income. Given that there are economies of scale in consumption, different methods of doing this have been used, including, the square root of household size (e.g. Garfinkel, Rainwater and Smeeding, 2004; Sutherland, 2001; Immervoll, Sutherland and de Vos, 2001; Oxley et al., 2001; Corak, Lietz and Sutherland, 2005; Chen and Corak, 2005), an equivalent elasticity of 0.55 (e.g. Solera, 2001) and most recently, the so-called modified OECD equivalent scale (which attributes weights of 1 to the first person in the household, 0.5 to each additional adult and 0.3 to each child), which has gained ground since it is used by EUROSTAT to calculate the Laeken indicators. (EUROSTAT, 2003; see also Atkinson et al..)
- *Intra-household share of resources.* Many studies have drawn attention to the issue of how far household resources are shared among members as one of the main considerations affecting the well-being of children. Intra-household allocation of income, however, is not captured by standard household surveys. The tendency among researchers is, therefore, to set this problem aside, though other approaches are possible<sup>6</sup> (It has been suggested that under reasonable assumptions, the consumption of children is greater than the additional cost they impose, as indicated by the equivalence scale, but less than equivalent income<sup>7</sup>). An alternative approach is through specially designed surveys that include, or are targeted on, children as respondents in order to obtain information on how they themselves assess their situation, on the grounds that standard household surveys are not able to capture the real needs of children (UNICEF, 2007; raised also by Guio and Museaux, 2006).
- *The poverty threshold.* Poverty thresholds, which reflect the level of resources considered to be acceptable, can be either defined in relative or absolute terms. Various relative poverty thresholds have been used in studies: half of median or average income, 60% of median income (which is the norm in the EU) and so on. An absolute poverty threshold indicates the income necessary to purchase a predefined volume of goods and services under different circumstances<sup>8</sup> (The US Government, for example, applies an absolute poverty threshold based on such an approach. The UNDP also used an absolute poverty level when setting the Millennium Development Goals (see UNDP, 2003). The choice of the poverty threshold strongly affects the rate of poverty calculated as well as the relative number of specific social groups who are affected.
- *Cross-sectional v persistent (longitudinal) poverty.* Even when the necessary data are available, the longitudinal nature of poverty is seldom analysed. While there is some overlap between social groups indicated as being poor by cross-sectional surveys and those indicated by longitudinal ones, there are obvious potential gains for policy evaluation from analysing persistent or chronic poverty. The dynamics of poverty using longitudinal micro-level data has been analysed by, for example, Bradbury, Jenkins and Micklewright (2000), Gottschalk and Danziger (2001); Jenkins and Schluter (2001); Tsakoglou and Papadopoulos (2006), Hill and Jenkins (1999), McKernan and Ratcliffe (2002); Galloway et al. (2006); Maggio (2004); Hoynes, Page and Stevens, 2005; Gábos and Szivós (2003).
- *Deprivation, social exclusion.* While the pure income approach still dominates the literature, recent studies of poverty have adopted a combined monetary and non-monetary approach, aimed at defining additional indicators of those at risk (UNICEF, 2005; Guio and Museaux, 2006; Lemmi and Betti, 2006; Förster, Tarcali and Till, 2004; Makovec, O'Donoghue and Toso, 2006; DWP, 2002) The terminology has also been extended from poverty to social exclusion or deprivation. Empirical evidences show that there is a considerable overlap of the social groups at high risk of poverty and social exclusion within EU Member States (Tsakoglou and Papadopoulos, 2006).

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<sup>5</sup> See Bradbury and Jäntti, 2001

<sup>6</sup> Bradbury, 2003: 14.

<sup>7</sup> Bradbury, 2003: 23

<sup>8</sup> Bradbury, 2003: 4

## **Child well-being**

The concept of well-being is inspired by the capability approach suggested by Sen (1999) and is an attempt to cover all aspects of social life. As well as monetary and material deprivation aspects, sets of other social indicators are also included in the measure: such as subjective well-being, social relations, education attainment, health status, teenage and/or out-of birth outside marriage (UNICEF, 2007; Land, Lamb and Mustillo, 2001; Papadopoulos and Tsakoglou, 2005).

## **Child outcome**

Examining the effect of policy on child outcomes implies a long-term evaluation. The best indicator of child outcome would be success or failure on the labour market, but shorter-term proxies, usually educational attainment, teenage pregnancy or involvement in criminal activities can be, and often are, used (see Danziger and Waldfogel, 2000; Heckman and Masterov, 2005;).

## **Policy typologies**

It is difficult to identify any economic or social policy which does not affect in one way or another the well-being of households and therefore that of children. The concern here is confined to those policies that directly target families with children and reduce the costs of childbearing and bringing up children (child-related public policies)<sup>9</sup>. These policies can be classified according to a number of dimensions (by main elements of cost of children, cash vs. non-cash benefits, etc.) The approach here is to distinguish them by the degree of public intervention. (Csaba and Tóth, 1999)

- *Regulations* represent the lowest degree of state involvement. The State regulates labour markets for many reasons, including the health aspects of mothers and children. Maternity and parental leave and time off during pregnancy or for breastfeeding can be included here.
- *Cash or near-cash benefits*. These include child benefits and maternity benefits which recipients can decide how to spend for themselves. Child benefits are usually designed to cover, at least in part the costs associated with children and are either universal or means-tested or both, while tax relief (tax deduction, tax credit) performing a similar function is allocated through the tax-system. The best known and most analysed forms of tax credit are Earned Income Tax Credit (EITC in the US<sup>10</sup> and Working Families Tax Credit (WFTC) in the UK<sup>11</sup>. Tax systems which take account of the number of dependent family members can also be included under this head.
- *In-kind benefits*. These include the provision of childcare and other services which recipients can decide only whether they want to take advantage or not and not usually the form in which they take them.
- *Benefits and services provided by the private sector, especially NGOs*.

Sutherland (2001) defines three different types of policies for microsimulation purposes. She assumes that there are:

- policies altering income levels directly through the tax-benefit system
- policies to promote paid work
- policies that tackle long-term disadvantage.

Studies differ according to whether they are aimed at assessing the effects of direct or indirect policies and whether the whole system is considered or only specific elements of it. The measures which have been examined most are direct cash benefits, related in part to the focus on income poverty in the

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<sup>9</sup> For a descriptive and comparative presentation, see European Commission (2002).

<sup>10</sup> The amount of EITC depends on the number of children in the family and it can be shared between parents. The credit is refundable, so any amount exceeding the tax liability of the family is returned as a cash refund. (Eissa and Hoynes, 1998: 1).

<sup>11</sup> To be eligible for WFTC, at least one adult must work 16 hours or more a week, there is must be at least one dependent child, and family savings and capital must be below a specified level. The amount of the credit depends on both the number and age of children. Child Tax Credit, for low-income income families who are in or out of work) and Working Tax Credit for working adults, with the same eligibility criteria as WFTC, replaced WFTC in 2003. (Francesconi and Van de Klaauw, 2004).

literature. The literature which has analysed the relationship between labour force participation and child poverty is also considerable. (e.g. Solera, 2001; Sutherland, 2001; Hoynes, Page and Stevens, 2005; Whiteford and Adema, 2007) There is a growing literature, in addition, focusing on the role of early childhood measures on the development of children (e.g. Heckman and Masterov, 2006; Karoly and Bigelow, 2005; Minnesota, 2000; Rolnick and Grunewald, 2003; Kertesi and Kézdi, 2006).

### **Methods for assessing the effect of policy**

The effectiveness of various policies in reducing child poverty has been the subject of a large number of studies. Both cross-sectional and longitudinal surveys, using a standardised methodology, have been carried out on a regular basis in many European countries enabling an analysis of policies to be undertaken. Cross-country databases have been constructed and are now available to analyse the performance of different welfare regimes in this respect. Although, however, there are standardised indicators to describe trends over time, the problem remains of linking “input” (public and family resources) with “output” (future health status, educational attainment, economical and social well-being) in an unambiguous way<sup>12</sup>.

Assessment of the effect of policy can be based on many output indicators and using one or another depends largely on data availability.

- *Coverage* which relates to the population eligible for a given benefit.
- *Adequacy* which denotes the level of benefits and is usually measured as total expenditure on the transfer concerned per recipient or participant. As an alternative indicator of adequacy, expenditure can also be expressed in relation to household disposable income (Oxley et al., 2001).
- The *incidence* of benefits which indicates how far they are targeted and concentrated on specific households.
- The extent of reduction in poverty achieved by benefits which is the most frequently used measure of policy *effectiveness*.
- *Efficiency* which measures the effectiveness of policies per unit of cost.

The methods used by researchers when assessing the effect of policy can be classified into three different groups: descriptive-intuitive<sup>13</sup>, counterfactual and behavioural methods. Each of these methods is characterised not only by one or more of the indicators listed above, but also by other factors such as the source of data used, the time dimension and the geographical coverage.

### **Descriptive-intuitive methods**

The effectiveness of policies can also be assessed by means of the descriptive-intuitive method which amounts to analysing trends and policy changes at macro-level, developments in expenditure and aggregate poverty rates also at macro-level (UNICEF, 2005; SSO, 2005), the coverage, adequacy and incidence of benefits (e.g. Sipos and Tóth, 1998; Stewart and Huerta, 2006; Meyers et al., 2001; Matsaganis et al., 2004).

In general, descriptive-intuitive analyses play an exploratory role, indicating the need for further assessment and are rarely used alone.

Descriptive-intuitive analyses use a combination of macro data and aggregate indicators derived from micro data, with child poverty rates being compared, for example, with the level of expenditure, usually with a lag and usually for a number of countries. The annual report of the European Observatory on Social exclusion and income distribution has examined the direction and strength of the relationship between child poverty rates and labour force participation as well as public expenditure on family benefits (SSO, 2005, 2006).

Bergmann (1996) compares family support policies in France and US and attempts to assess their effect on the poverty rates of children in the two countries.

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<sup>12</sup> Garfinkel, Rainwater and Smeeding (2004).

<sup>13</sup> The term is borrowed from Gauthier and Hatzius (1997).

## **Counterfactual methods**

A number of studies rely on *counterfactual* assumptions to assess policy effects. The most common method is to calculate the difference between two poverty rates, one based on the total disposable income of households and the other on income without transfers – ie after the withdrawal of benefits.

For example, Förster and Tóth (2000), Sipos and Tóth (1998) and Solera (2001) used simple withdrawal rates to measure the effectiveness of the welfare state. Other studies have introduced withdrawal rates to examine the strength of alternative measures (e.g. Immervoll, Sutherland and de Vos, 2001).

Oxley et al. (2001) analysed OECD data from 17 countries, the effectiveness of policy being defined as the percentage point reduction in poverty before tax and transfers after including taxes and benefits, effort being measured as the level of government expenditure on children and efficiency as a reduction in poverty from a one percentage point rise in expenditure.

While the assumed withdrawal of taxes and benefits is indicative of the effect of policy, there are significant limitations to the results obtained. First and most importantly, this method cannot control for behavioural responses. Withdrawing any kind of social transfer or changing any parameter of the tax system would, in practice, lead to alterations in the behaviour of household members (UNICEF, 2005: 20). Secondly, the data sources used for such analyses do not always enable different types of transfer to be distinguished. Thirdly, household income surveys are not able to capture the full complexity of national tax and benefit systems. As Immervoll, Sutherland and de Vos (2001) argue, in order to explore how well benefits perform in alleviating child poverty, there is a need to be able to focus on particular aspects of their design. The use of withdrawal methods does not provide a satisfactory answer to the question: “what if family benefits were abolished throughout Europe?” (Immervoll, Sutherland and de Vos, 2001: 414)

The use of microsimulation models attempts to get over some of these difficulties. A number of studies assessing the effectiveness of policy in reducing child poverty are based on the EUROMOD microsimulation model designed for comparative analysis of EU15 Member States (Sutherland, 2001; Immervoll, Sutherland and de Vos, 2001; Corak, Lietz and Sutherland, 2005; Matsaganis et al., 2004) Since the model incorporates details of tax-benefit systems, it enables the effect of counterfactual situations to be explored.

Bradbury and Jäntti (2001) also attempted to overcome the problems of using withdrawal rates by examining instead of the poverty rate the difference in the disposable income of the lowest income quintile of children between countries.

## **Behavioural analysis**

The main obstacles in making progress in linking policy effort to outcomes are data availability and time. Longitudinal data are required for this purpose. Data from panel household surveys at national and European level (ECHP and in the future EU-SILC) are available and have been used by researchers to examine the behavioural responses of household to policy changes. The possibility for analysis, however, is limited by the need for there to be clearly perceptible changes in policy (Francesconi and Van der Klaauw, 2004). In addition, the measurement of outcomes is also limited, insofar as, for example, educational performance is not captured by regular income surveys.

Monitoring specific measures would provide more satisfactory information on policy effectiveness if there were a possibility of using control groups. There have been very few studies of this kind, however, most of them in the US, in particular in relation to the outcomes of early childhood development programmes (see Heckman and Masterov, 2005 for an overview).

## **The role of child-related policies in alleviating child poverty**

Having considered the main methodological issues surrounding the assessment of the effect of policies on child poverty, the concern here is to summarise the main empirical findings of the studies carried out in this regard. The questions examined are:

- How far have these policies achieved their goal?
- Should policies aimed at reducing child poverty be directed at improving work incentives or the efficiency of benefits?

- What differences are detectable in the performance of different welfare regimes?
- Should policies have a short-term or a long-term focus? In other words, does child poverty or the future outcome for children matter most?

The main determinants of child poverty have been examined in a number of studies (Bradbury, 2003; Chen and Corak, 2005; Hoynes, Page and Stevens, 2005; UNICEF, 2005; Cantillon, Marx and Van den Bosch, 2002; Whiteford and Adema, 2007) according to these studies, the principal factors affecting child poverty and changes in this over time are:

- at macro level: macroeconomic developments in economic growth, employment, unemployment, inflation and so on; the effectiveness of welfare state policies;
- at micro level: household composition, demographic trends, birth, divorce and mortality rates; labour market failure, in particular, the difficulty of finding a job, and low wages.

Child poverty is a result of a combination of these factors and different combinations across countries results in cross-country differences. The studies carried out have invariably found that welfare state policies, and child-related measures, especially play an important role in determining child poverty. Chen and Corak (2005) found that labour market and government policy are the major determinants of child poverty. Förster and d'Ercole (2005: 33) claim that taxes and transfers are among most important factors affecting child poverty following household characteristics and the employment status of mothers.

Analyses based on an income poverty approach generally conclude that child poverty rates would be much higher if there were no child contingent transfers in place. (Corak, Lietz and Sutherland, 2005) The extent to which policies reduce child poverty seems to be considerable. The UNICEF report of 2005 estimates that on average, government intervention reduces the rate of child poverty by 40%. (UNICEF, 2005) In countries with the lowest child poverty rates, child-related government spending reduces poverty by 80% or more, while in countries with the highest levels of poverty, the reduction is only 10 to 15%. Indeed, variations in government policy appear to account for most of the variation in child poverty rates between OECD countries. For example, the decline in child poverty between 1991 and 2000 is explained almost exclusively by government transfers in Norway, but not at all in the US, where the most important factor were labour market changes followed by family and demographic changes (UNICEF, 2005). There is, therefore, a negative relationship between public expenditure on child-related transfers and the spread of child poverty.

Poverty rates, however, depend not only on the level of government spending, but on the form and structure of transfers as well. The UNICEF report argues that many OECD countries have the potential to reduce child poverty below 10% without a significant increase in overall spending (UNICEF, 2005).

The studies which have been carried out concentrate mostly on the effectiveness of policies and the cost of policy reforms in general is rarely considered. The results, however, might have been different if efficiency had been considered. Comparing the performance of the British and the Dutch child benefit systems, Immervoll, Surherland and de Vos (2001) found that the old Dutch system (which depended on both the number and age of children) was more generous and more effective in reducing poverty than the new one (which depends on age only), but the latter is more efficient in terms of cost effectiveness. They also found that the old Dutch system was also more effective and efficient than the British one at the time.

There are intense policy debates on the issue of whether universal or targeted (means-tested) benefits are more efficient in alleviating child poverty. As compared with means-tested benefits, universal benefits tend to strengthen work incentives and eliminate the poverty trap. In the case of children, they serve as a means of horizontal redistribution from single taxpayers to families with children (children being regarded in some sense as public goods). On the other hand, means-tested benefits could be more cost efficient in reducing poverty. Analysing OECD data across developed countries and using withdrawal rates for assessment purposes, Oxley et al. (2001) found that there is a trade-off between spending and targeting. Countries targeting more use the resources spent more efficient, but overall poverty rates tend to be higher because they spend less in total. Others claim that child poverty is more responsive to policy intervention in English-speaking countries which rely more on means-tested benefits.

The degree to which children have fair and equal opportunities varies considerably across countries and depends critically upon welfare state benefits. As noted above, for methodological reasons, non-

cash benefits are rarely included in measuring household resource. Garfinkel, Rainwater and Smeeding (2004), who applied an imputation method merging, macro-level and micro-level information, found that non-cash benefits (on health and education, including early childhood education) substantially reduced differences in child poverty between countries, but did not eliminate them. These benefits are particularly important for children in low-income families in the US.

### ***Work and/or transfers?***

The concern here is with two questions:

- How important is the employment status of parents in determining poverty?
- Should policies aimed at reducing child poverty seek to improve work incentives or the efficiency of benefits?

There is widespread agreement in the literature on the importance of the role of parental employment and parental earnings in determining child poverty. Bradbury and Jäntii (2001) point out that earnings from employment tend to be more important than social transfers in household income. Solera (2001) found the earnings of mothers to be an important factor underlying the incidence of poverty among children. Bradbury concluded that parental joblessness was a key determinant of child poverty. (Bradbury, 2003) Förster and d'Ercole (2005) found that child poverty rates are lower the higher the level of employment among women with children, but that there are major differences in this across countries, suggesting that specific factors increase the risk of deprivation among children in certain countries.

Analysing data from the US, McKernan and Ratcliffe (2005) concluded that after allowing for demographic and economic factors, the likelihood of entering and exiting poverty was highest for those living in households where the employment status of members changed. Chen and Corak (2005) found that employment factors played the most important role in the majority of countries examined and that the proportion of children in jobless household is strongly correlated with child poverty rates. Whiteford and Adema (2007) showed that in nearly all OECD countries child poverty rates are significantly higher for jobless families than for families with at least one parent in employment, and are also higher in single-earner families than in two earner families as well as in lone-parent households compared with two-parent households.

Some studies suggest, however, that the picture is not all that clear. While children living in jobless household are at higher risk of poverty than others, children with income below the poverty line still live mostly in families where at least one parent is employed. Whiteford and Adema (2007) found that on average across OECD countries only around a third of poor families with children are jobless although this proportion varies widely – from less than 20% (in Austria, Greece, Japan, Luxembourg, Mexico, Portugal, Turkey and the US) to 60% or more (in the Czech Republic, Germany, Norway and Australia) (Whiteford and Adema, 2007: 4). In-work poverty seems mostly to affect children in lone parents or one-earner families (Bardone and Guio, 2005).

Using data from the Luxembourg Income Study, Cantillon, Marx and Van den Bosch (2002) found that while a strong and positive correlation exists between the incidence of relative poverty and low pay and a strong and negative correlation between the level of public spending and the incidence of poverty, there is no significant correlation between employment and the incidence of poverty.

The question of how child-related policies affect the labour force participation of parents has been widely analysed in the literature. Theoretical considerations predict that means-tested benefits reduce the propensity to work, while universal benefits do not have disincentive effects, since they are payable irrespective of whether the recipient is employed or not. Finally, transfers through the tax system are thought to encourage labour force participation. The findings of studies on this are summarised below.

The tax relieves which have been analysed most are the EITC in the US and the WFTC in the UK. The expansion of EITC between 1984 and 1996 had a positive effect on the participation of lone mothers, but no effect on working hours (Eissa and Liebman, 1995; Hoynes, Page and Stevens, 2005). "Compared to other elements of the welfare system, the EITC appears to produce little distortion on work incentives. (...) Therefore, if policy makers want to redistribute income to working poor and are comfortable with the tradeoffs involved in using the tax system rather than the welfare system to administer transfers, the EITC seems to be a way to do so with minimal efficiency costs" (Eissa and Liebman, 1995: 37). However, later analysis showed that the view that tax credit encourages work effort does not hold for married couples (Eissa and Hoynes, 1998). The expansion of

EITC between 1984 and 1996 increased the labour force participation of married men slightly but reduced the participation of married women by over 1 percentage point. As the authors stated, the EITC effectively subsidised married mothers to stay at home (Eissa and Hoynes, 1998: 30).

Sutherland (2001) simulated the expected effects of reforms introduced in 1999 in the UK in relation to the WFTC. She found that the reforms were expected to reduce child poverty considerably, but the model still estimated that the overall rate of poverty among children would remain above average. Her analysis showed that parental entry to the labour market at the minimum wage could reduce child poverty rates still further, but that success was conditional on labour demand.

Francesconi and Van de Klaauw (2004) evaluated the effect of WFTC reform introduced in the UK in 1999 on single mothers, using BHPS data for the years 1991 to 2001. They estimated that the financial incentives introduced by the reform led to a 7 percentage point increase in the employment rates of women with children, the effect being much larger for women with one pre-school aged child than for those with a number of older children. The reform also seemed to lead to significant reduction in fertility among women living alone and in the rate of marriage.

Michaud and Tatsiramos (2005) used eight waves of ECHP to analyse the labour force participation of married women in six European countries. They found that differences between countries in employment rates and in the transition of married women between employment states are mostly due to differences in education levels and unobserved characteristics rather than the effect of policy on fertility. The segmentation of the labour market in respect of women with different education levels seems to be the most important factor.

Waldfoegel, Higuchi and Abe (1998) who analysed the impact of maternity leave policies on mother's employment in the US, the UK and Japan found that young children generally have a very strong negative effect on women's employment but that entitlement to family leave increases the likelihood that a woman will return to her previous employment after childbirth in all three countries.

The evidence, therefore, seems to suggest that the best policies are those which result in an increase in labour force participation among parents. Accordingly, policies aimed at facilitating the labour market participation of women with children should be regarded as a central component of an effective anti-poverty package. (Solera, 2001) However, Bradbury (2003) warns of the possible negative effects of employment of mothers on the future prospects for children, claiming that "because employment impinges on parental time, income increases from this source might be potentially associated with a decrease in child welfare." (Bradbury, 2003: 16)

A major issue is striking an appropriate balance between a "benefits strategy" (increasing the adequacy of benefits for low-income families with children) and a "work-strategy" (promoting policies to increase employment among poor families). The need to choose between these two alternatives is sometimes seen as a consequence of an unavoidable trade-off between adequacy of benefits, work incentives and the cost of assistance (Whiteford and Adema, 2007). Cross-country differences in underlying factors, as well as variations in behavioural responses across family types, also suggest a need for benefit systems to be carefully designed.

### ***Differences across welfare regimes***

Comparative analysis of income inequalities and poverty in different countries often make use of the welfare regime typology introduced by Esping-Andersen (1990) and developed further by others (see Ferrara, 1996). This typology distinguishes four regime types in European countries which includes child-related transfers and services. The findings of studies which have related child poverty to these regimes are as follows.

The *social-democratic* regime, which applies to the Nordic countries, is characterised by high public expenditure and taxes, low inequalities and low rates of poverty. Social transfers are predominantly universal and public services are widely available and of good quality. Relatively high fertility rates are associated with high labour force participation rates among women.

Studies agree that such welfare systems excel in preventing poverty among children (Bradbury and Jäntti, 2001; Chen and Corak, 2005; UNICEF, 2005). The well-being of children in these countries is also relatively high (UNICEF, 2007). Children, therefore, benefit not only from transfers directed specifically to them, but from more general transfers as well, which is one of the main reasons for the low poverty rates (Corak, Lietz and Sutherland, 2005); And for low persistent poverty (Tsakoglou and Papadopoulos, 2006).

Sutherland (2001) found that child poverty is less responsive to policies in Denmark than in the UK and France. She argues that few children in Denmark are poor because of inadequate child payments and that few children would be made poor by reductions in the generosity of the system. Immervoll, Surherland and de Vos (2001) found that Denmark is one of the countries where family benefits are generous, but even without them, the income of families with children would be sufficient to protect children from poverty.

The *liberal* regime, applies to the UK and Ireland in the EU, as well as to other English-speaking but non-European countries (US, Australia and Canada). These countries have relatively low levels of social expenditure compared with the Nordic and continental European countries (which is true more of Ireland and the US than of the UK – SSO, 2005; UNICEF, 2005). Transfers are targeted on the poorest households by applying a means test for tax credits as well as benefits.

Garfinkel, Rainwater and Smeeding (2004) found that differences in spending patterns among the English-speaking countries are smaller than between these countries and others. The US spends much less on cash and near-cash benefits than other countries and much more on education and health care. Redistributive effects of welfare transfers are large in all countries. In general, transfers raise the income of the households at the bottom end of the income scale the most because a large proportion of children in such households are cared for by non-working lone mothers. Poor children in English-speaking countries are worse off than their Continental and, more especially, their Nordic counterparts. This remains the case even after taking account of in-kind benefits and the taxes required to finance them, though the differences are narrowed substantially (Garfinkel, Rainwater and Smeeding, 2004). In Ireland, however, family benefits are relatively small and have little effect on poverty (Immervoll, Surherland and de Vos, 2001). Nevertheless, Bradbury and Jäntii (2001) found that social transfers in English-speaking countries contributed most to the disposable income of the poorest children in these countries in the 1990s, market incomes accounting for only a quarter of disposable income in the UK, for example.

From a longitudinal perspective the liberal regime is characterised by a high level of inequality, poverty and social exclusion, but social transfers also seem to be used effectively at the margin (Tsakloglou and Papadopoulos, 2006).

The *conservative* regime applies to continental European countries (Germany, Austria, France, Luxembourg, the Netherlands and Belgium) which are the most heterogeneous group. The structure of child-related policies differs considerably between them, with high spending levels in Luxembourg being associated with low poverty rates among children.

Some studies suggest that family benefits and other child-contingent transfers have a significant effect in protecting children from poverty in these countries, especially in Belgium and Austria as well as Luxembourg (Immervoll, Sutherland and de Vos, 2001, Corak, Lietz and Sutherland (2005).

Comparing the impact of tax-benefit systems on child poverty in the UK, France, Denmark and Spain, Sutherland (2001) found that the French system, which is less targeted on the poorest children, would be able, if redirected, to reduce poverty among children by a third with a relatively modest expansion in the child component in the system. She also highlights the important role played by of housing benefits in France. The *conservative* regime countries were found to have an average effectiveness of policy as compared with other countries when analysed in a longitudinal perspective (Tsakloglou and Papadopoulos, 2006).

The *Southern* regime applies to the Mediterranean countries, Italy, Spain, Portugal and Greece. These countries are characterised by a low level of expenditure on children relative to GDP. According to Immervoll, Surherland and de Vos (2001), Southern regimes have relatively small family benefits which have limited effect on poverty. The same is the case in a longitudinal context (Tsakloglou and Papadopoulos, 2006).

Sutherland (2001) found that child poverty in Spain is less responsive to child-related transfers than in the UK or France due to the very low level of benefits relative to the disposable income of families. Matsaganis et al. (2004), who analysed the distributional impact of both cash benefits and tax relief for all four Mediterranean countries, using EUROMOD., found that too many poor families with children are not eligible for income support (Greece, Italy) or receive low benefits (Spain, Portugal). Applying different benefit system to these countries showed that the Danish system would have the largest effect on child poverty in all the countries. Although very different in design, the effect of the Swedish and British systems would be relatively similar. They found a significant trade-off between fiscal cost and the reduction in poverty, but that combining a universal system with more targeted policies would have a marked effect on poverty at a reasonable cost.

Since the level of child-related transfers is low in Mediterranean countries, the role of families in maintaining acceptable living standards for children is accentuated. Corak, Lietz and Sutherland (2005) accordingly found that the role of intra-household transfers is important in these countries as compared with other regimes.

### ***Short-term or long-term policies***

The outcome for children, as indicated above, is an alternative means of assessing the effect of policy. This is a much longer-term measure since it focuses on outcomes at the end of childhood rather than on the short-term impact of policy on income. There is extensive literature on this, but it mainly relates to the US. Carneiro and Heckman (2003) concluded that differences in both cognitive and non-cognitive skills formed early in life are associated with racial, ethnic and family background differences gaps in schooling and other dimensions of socio-economic success and that most of the variations in college attendance are determined by early family factors. They found that tuition policy or family income supplements had only a limited effect in eliminating these differences. At the current level of funding, traditional measures, such as tuition subsidies, improvements in the quality of schools, vocational training and tax rebates are unlikely to be effective in closing the gap and the evidence points to a high return from early intervention and a low return to remedial or compensatory interventions at a later stage.

Danziger and Waldfogel (2000), summarising the proceedings of a conference on this issue, concluded that "... there is no better way to break the cycle of poverty and inequality than to invest in children." They list five policy areas where investment needed to be expanded:

- programmes to improve the health of women of childbearing age,
- early childhood interventions targeted on the most disadvantaged children,
- measures to raise the quality of child care and pre-school education,
- after-school and mentoring programmes,
- programmes to raise the level of college attendance by high-ability young people from low-income families.

## **II. The evidence on child poverty among ethnic minorities**

Research suggests that households with children face a higher risk of poverty than those without. There is also evidence that ethnic minorities similarly face a greater risk and a greater threat of social exclusion. The concern here is to consider those that fall into both groups – in other words, ethnic minority households with children.

This poses difficulties given the data available. In many Member States, data on ethnic origin are not available not only because of the problems of collecting such data and defining suitable questions to identify ethnicity but more especially out of principle and a concern to protect individuals from the potential abuse of such data. In consequence, the effect of ethnic origin on the income and other circumstances of households can only be examined indirectly in a number of countries from the data available, particularly from the harmonised data available at EU-level which are comparable across countries.

The data in question relate either to the country of birth of household members, which enables those born outside the country in which they live to be distinguished and, more specifically, those born outside the EU, or to their nationality or citizenship. Both sets of data are used here to serve as a proxy for ethnic origin.

It is important to recognise, however, that neither set of data is entirely satisfactory in this respect, since people belonging to ethnic minority groups may well have been born in the country in which they live – and be descendants of people who moved into the country several generations before – and have citizenship of the country in question. Although there is an overlap between each set of data and ethnic minorities properly defined, therefore, this overlap is by no means complete. Moreover, the extent of the overlap varies between countries according to the regulations in place governing

citizenship and the eligibility of migrants to acquire this, as well as to the relative number of first-generation migrants (who were accordingly born outside the country in which they live) as compared with those who are descendants of earlier generations. Accordingly, the two sets of data will tend to vary in terms of how far the results derived from their use are indicative of the relative situation of ethnic minorities in particular countries.

At the same time, both set of data are also potentially interesting in their own right, as indicators of the situation of non-nationals in EU Member States, especially of those who do not have EU citizenship and of migrants.

### ***The EU-SILC data used in the analysis***

The data used in the analysis come from the EU-SILC carried out in 2004 which covers 14 European countries – 12 EU15 countries (all except Germany, the Netherlands and the UK), Estonia and Norway – and which included questions both on country of birth and nationality. These data are limited, however, not only in terms of how far they throw light on the position of ethnic minorities but also in terms of the degree of detail which it is possible to examine from their use. The relatively small sample size coupled with the relatively small number of non-nationals and people born outside of the country in which they are resident means that while these data provide a useful overview of the situation of the two groups concerned, they cannot be used for detailed in-depth research.

Equally, it is not possible from the data available at EU-level to distinguish between different groups within ethnic minorities, between, for example, those of Roma and those of African origin. It is evident, however, that significant differences in the relative position of the people concerned exist between different groups and that effectively treating ethnic minorities as a homogenous groups is liable to give misleading results. This is indicated by the analysis for the UK presented below where the data do enable different ethnic groups to be identified and analysed separately.

Nevertheless, despite the shortcomings and the need to interpret the results with some caution, the data from the EU-SILC on the relative situation of households with children containing people born outside Europe and with non-EU nationality ought to be at least indicative of the differences between such households and others in the Member State concerned.

The questions addressed in the analysis are:

- Do children of parents born outside the EU and of those with non-EU citizenship have a higher risk of poverty than children generally?
- Does the presence of children increase the risk of poverty such people?
- In which countries is the relative risk of poverty for children whose parents come from outside the EU greatest?
- How far is the risk of poverty linked to employment?

### ***Methodology***

As indicated above, the data used come from the first release of EU-SILC (EU Statistics on Income and Living Conditions) which cover 14 European countries and which relate to income in 2003, except for Ireland, where they relate to the 12 months prior to the date of interview. The sample covers just over 112,500 households, the number in each country varying from 3,500 (in Luxembourg) and 24,000 (in Italy).

The analysis focuses on households with children, a household being defined as being at risk of poverty if its total income equalised for differences in size and composition falls below 60% of the national median. Poverty is, therefore, defined in relative rather than absolute terms and is country specific, in the sense that it is related to the average income of households in each country and no account is taken of the substantial differences in these averages, or medians, which exist between a number of the countries.

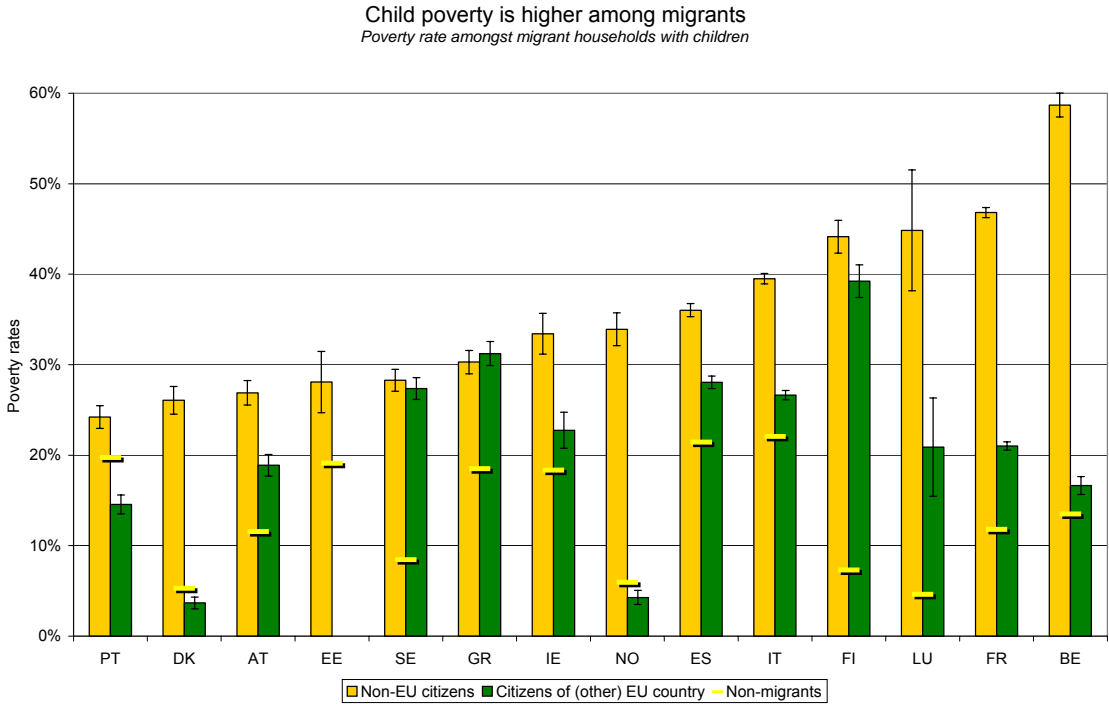
Households are classified as migrant in two alternative ways: first, if the nationality, or citizenship, of the head of the household is different from that of the country of residence and, secondly, if the

parents of the children in the household were born outside the country in question<sup>14</sup>. In both cases, the main focus is on those from outside the EU who are clearly most likely to belong to ethnic minority groups. These two methods of classification give different results to the extent that a significant proportion of those born outside the EU are likely to have acquired citizenship of the country in which they live if they have been there for a number of years – depending of course on the regulations in this regard. Equally, a number – though almost certainly less – of those who do not have citizenship of the country in which they live may have been born in the country if there are strict regulations on entitlement to this. Accordingly, this latter group – i.e. those with non-EU nationality – is likely to be composed more of recent migrants than the former group, while this group – those born outside the EU – may give a more representative indication of the position of ethnic minorities.

**The risk of child poverty among non-EU nationals**

The proportion of children in households with income below the poverty line (defined as 60% of the national median) is significantly larger in the EU among those with non-EU citizenship (i.e. those where the household head has nationality of a country outside the EU which are termed ‘migrant’ households in what follows) than among other households.. Over a third of non-EU migrant households with children are, therefore, classified as at risk of poverty according to this indicator in Ireland, Spain, Italy, Finland, Luxembourg, France and Belgium (Figure 1). The proportion of such households with poverty-level income was highest in Belgium in 2003, according to the EU-SILC, with the figure reaching 57-60%, while in France, it was over 45%. By contrast, in Portugal, the proportion was around 25%, only slightly larger than for non-migrant households with children.

**Figure 1**



Source: EU-SILC, 2004

Note: The chart also includes the confidence intervals of the estimates ( $\alpha=0,05$ )

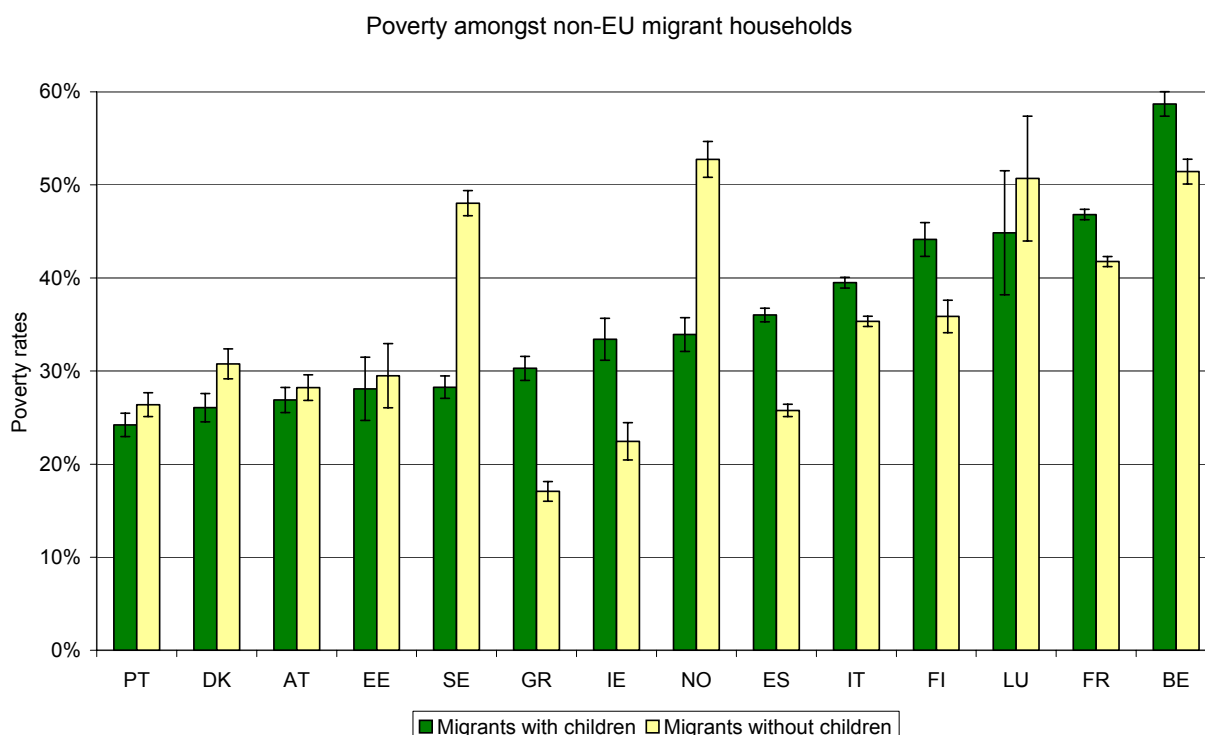
The further question arises in this respect of whether and how far the children of migrant families are disadvantaged, in terms of the income which they have access to, over and above the disadvantage experienced by migrants as such. In other words, do such households have a higher risk of poverty than migrant households with no children?

<sup>14</sup> Although citizenship is defined solely in terms of the head of the household, their spouse or partner is also likely to have citizenship of a country other than the one in which they are resident.

Comparison of the two types of household indicates that in 7 of the 14 countries covered, the proportion of migrant households with children with income below the poverty line is significantly larger than for migrant households without children (Figure 2, which, because of the small number of observations shows the confidence interval based on a 95% probability of the actual figure lying within this range). The difference in these proportions is particularly wide in Greece, Ireland and Spain (around 10 percentage points or more).

At the same time, there are four countries in which the difference between the two proportions is not significantly different – Portugal, Austria, Estonia, and Luxembourg – and three countries in which migrant households with children have a lower risk of poverty than those without. These are Denmark, Sweden and Norway, which may be attributable perhaps to the income and other support available to families with children in these countries.

**Figure 2**



Source: E-SILC, 2004

Note: The chart also includes the confidence intervals of the estimates ( $\alpha=0,05$ )

Even in these latter three countries, however, the proportion of migrant households with children with income below the poverty line is still larger than for non-migrant households (comparing Figure 2 with Figure 1). Moreover, in the other 11 countries, with the sole exception of Greece, the proportion of migrant households both with and without children with a poverty-level of income is significantly larger than for non-migrant households. The disadvantage of migrant families in terms of income, therefore, is only in part attributable to the presence of children. For the most part, therefore, it seems related to their migrant status as such – or at least, to their characteristics as compared with non-migrant households.

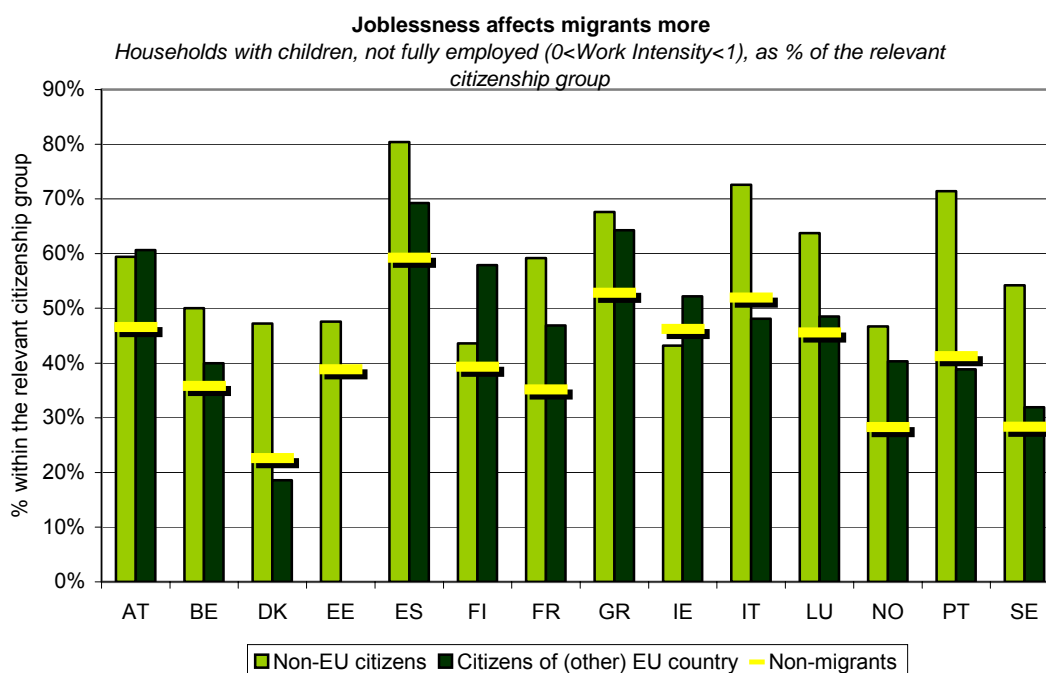
A major difference in the respective characteristics is the extent to which members of the two groups of households are in employment, which, accordingly, is an important factor underlying the difference between them in the risk of poverty. The Eurostat measure of the work intensity of households (which varies between 0 and 1 according to whether no household member of working-age is employed, not all members are employed or all are employed), therefore, shows a higher value for non-migrant households than for migrant ones<sup>15</sup>.

<sup>15</sup> The work intensity of the household is defined as the ratio of the number of months spent in employment during the year by household members of working age (16-64) to the number of months they potentially could have been

In particular, the proportion of households in which no-one of working-age is in employment is much larger for migrant families than for non-migrant ones in most countries, though the small number of observations means that it is difficult in a number of cases to estimate a precise figure with any accuracy.

More reliably, the data show that the proportion of households with children in which the work intensity index is less than 1 – in which not all household members of working-age are in full-time employment – is also significantly larger for migrant families than for non-migrant ones in all the countries apart from Ireland (Figure 3). In all 14 countries, over 40% of migrant households with children have a work intensity index of less than 1, whereas this is the case for non-migrant households in only 7 of the countries. In Austria, France and Luxembourg, around 60% or more of migrant households have a work intensity index of less than 1, in each case around 15 percentage points more than for non-migrant households, in Greece, the proportion is almost 70% and in Spain, Italy and Portugal, over 70%, in each case, over 20 percentage points more than for non-migrant households (in Portugal, 30 percentage points more).

**Figure 3**



Source: EU-SILC, 2004

### ***The risk of poverty among children of parents born outside the EU***

Extending the analysis to those born outside the EU with children enables a more detailed examination of the position of migrants and, possibly, ethnic minorities, to be undertaken simply because there are more such people covered by the survey and, therefore, the number of observations poses less of a constraint on the analysis.

In a similar way as for children of non-nationals, households with children whose parents were born outside the EU tend to have both a lower level of income and a higher risk of poverty than those with children whose parents were born in the country in which they live. (Households with children in which both parents were born in the country of residence are here taken as a kind of control group.) The only country of the 14 examined where this is not the case, as regards income, is Portugal, according to the EU-SILC data for 2003 (i.e. the data collected in 2004 relating to income in 2003), while Estonia is

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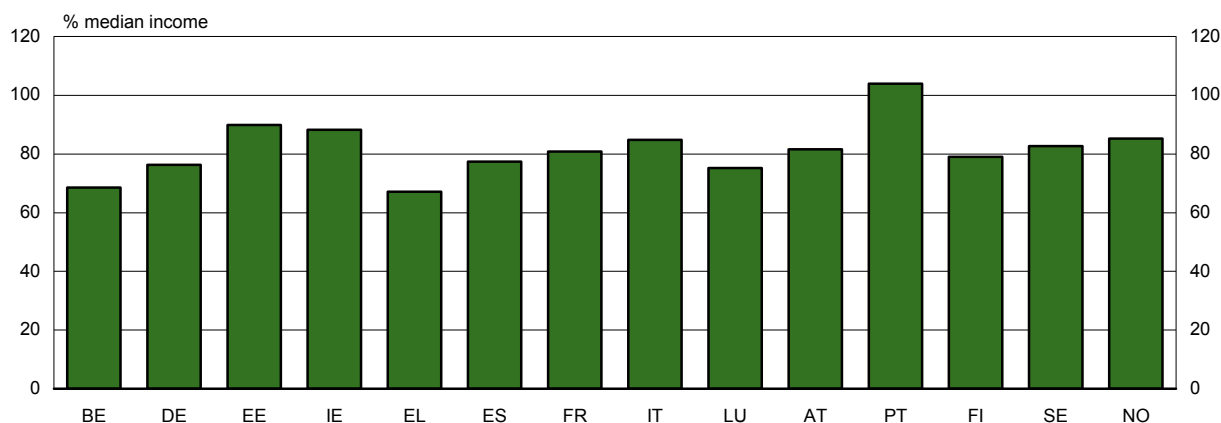
employed. A work intensity value equal to 0, therefore, signifies that none of the household members of working age was employed during the year. By the same token, a value of 1 corresponds to a situation in which all household members of working age were employed throughout the year. A value between 0 and 1 means either not all members were in work or were not employed throughout the year.

the only country in which the risk of poverty is lower for children with parents born outside the EU, even if only slightly, than for other children.

Leaving Portugal aside, therefore, the median equivalised income of households with children where both parents were born outside the EU varied in 2003 from 90% or just under in Estonia and Ireland to 75-77% in Luxembourg, Denmark and Spain and under 70% in Belgium and Greece (Figure 4).

**Figure 4**

**Median income of households with children of parents born outside the EU relative to that of households with parents born in country of residence, 2003**

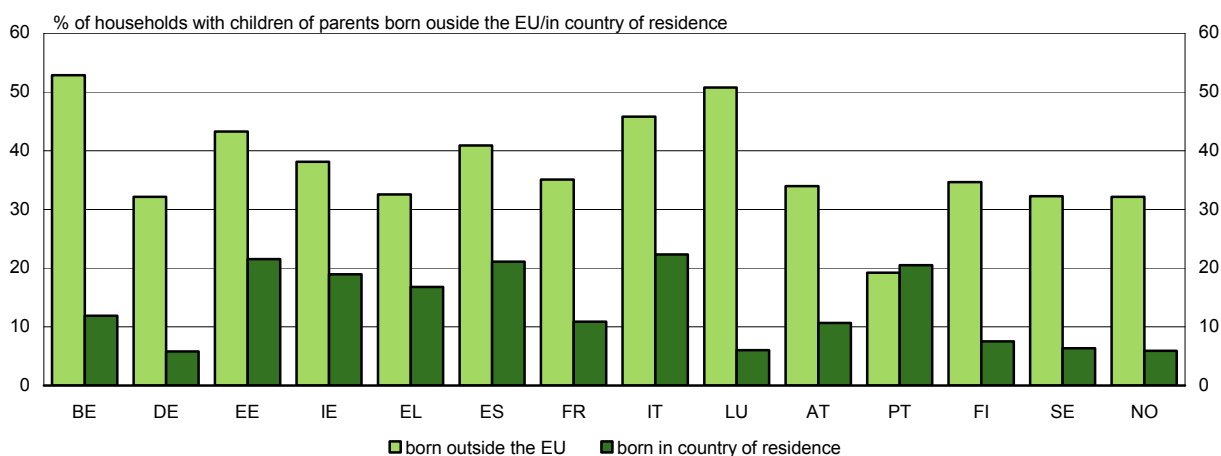


Source: EU-SILC, 2004

Apart from Estonia, as indicated, and Portugal where the difference is also small, the proportion of households with children and income below the poverty line was at least 10 percentage points higher in all countries for households in which the parents were born outside the EU than for those in which they were born in the country of residence (Figure 5).

**Figure 5**

**Proportion of households with children with income below the poverty line, parents born outside the EU and parents born in country of residence, 2003**



Source: EU-SILC, 2004

The difference was as much as 18 percentage points in Denmark, Austria and Sweden and close to 30 percentage points in Belgium and Luxembourg.

The lower level of income and the higher risk of poverty among households where the parents were born in a non-EU country seem to have relatively little to do with differences in the composition of households. While the relative number of households with people born outside the EU with three or more children, whose risk of poverty is higher than average, was larger in the majority of countries (8 of the 14) than in the case of those with three or more children born in the country of residence, the

relative number of lone parents, whose risk is even higher, was smaller in most of the countries (10 of the 14) to offset this (Annex Table).

Moreover, with the exception of Estonia and Portugal, people with children and born outside the EU tended to have both a lower level of income and a higher risk of poverty in all types of household than those born in the country of residence. In households with three children or more, for example, the median income of those with people born outside the EU was under 75% of that of households with people born in the country of residence in 8 of the 14 countries – under 65% in Denmark and under 55% in Spain.

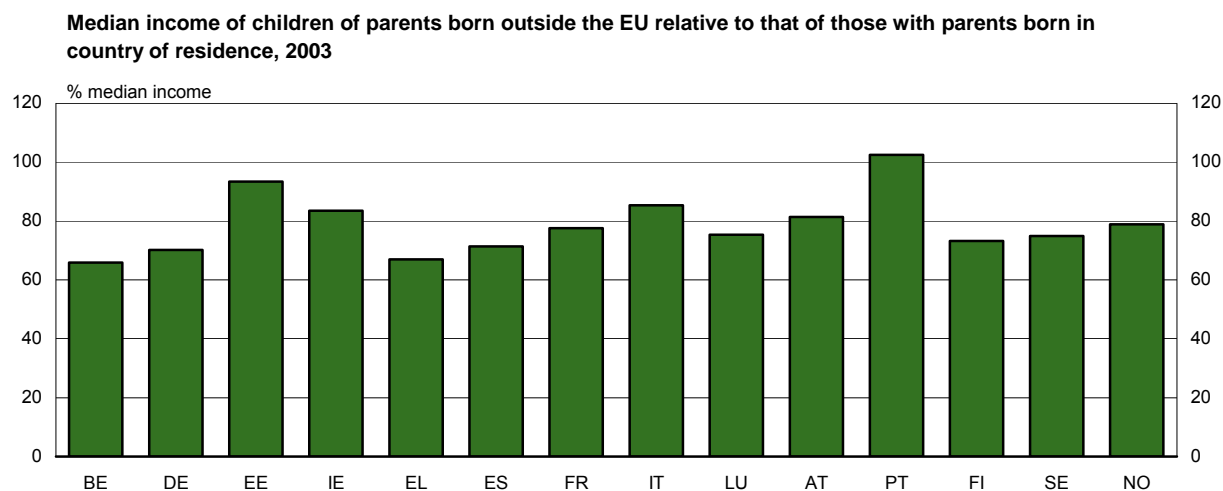
Children, however, are not in themselves in most countries a reason why households with parents born outside the EU have relatively low levels of income. In 11 of the 14 countries covered, the median income of households with children whose parents were born outside the EU was higher than equivalent households with no children, the only exceptions being Greece, Spain and Italy (Table 1). (This was the case in 10 of the 14 countries in respect of households with people born in the country in which they live.) In addition, the difference in median income between households made up of people born outside the EU and those composed of people born in the country of residence was wider for those without children than for those with in 8 of the 14 countries.

**Table 1 Comparisons of median income of households with and without children, 2003**

	<i>Median income of one group as % of the other</i>		
	Households without children: people born in country relative to those born outside EU	Households with children relative to those without: people born in country	Households with children relative to those without: people born outside EU
<b>BE</b>	68.6	107.4	103.8
<b>DK</b>	76.3	112.9	103.5
<b>EE</b>	89.9	123.5	139.3
<b>IE</b>	88.2	122.2	108.3
<b>GR</b>	67.1	115.3	74.6
<b>ES</b>	77.4	101.7	82.4
<b>FR</b>	80.9	96.7	101.8
<b>IT</b>	84.8	86.8	97.9
<b>LU</b>	75.2	89.1	126.1
<b>AT</b>	81.6	94.3	100.4
<b>PT</b>	103.9	109.1	105.0
<b>FI</b>	79.0	110.4	126.9
<b>SE</b>	82.7	107.7	122.8
<b>NO</b>	85.2	109.7	151.3

The differences in income and the risk of poverty between those born outside the EU and those born in the Member State concerned are slightly wider in most countries if children rather than households are taken as the unit of observation. In 8 of the 14 countries, the median income attributed to children of parents born outside the EU is further below that of children with parents born in the country concerned than in the case of households (Figure 6, which can be compared with Figure 4).

**Figure 6**

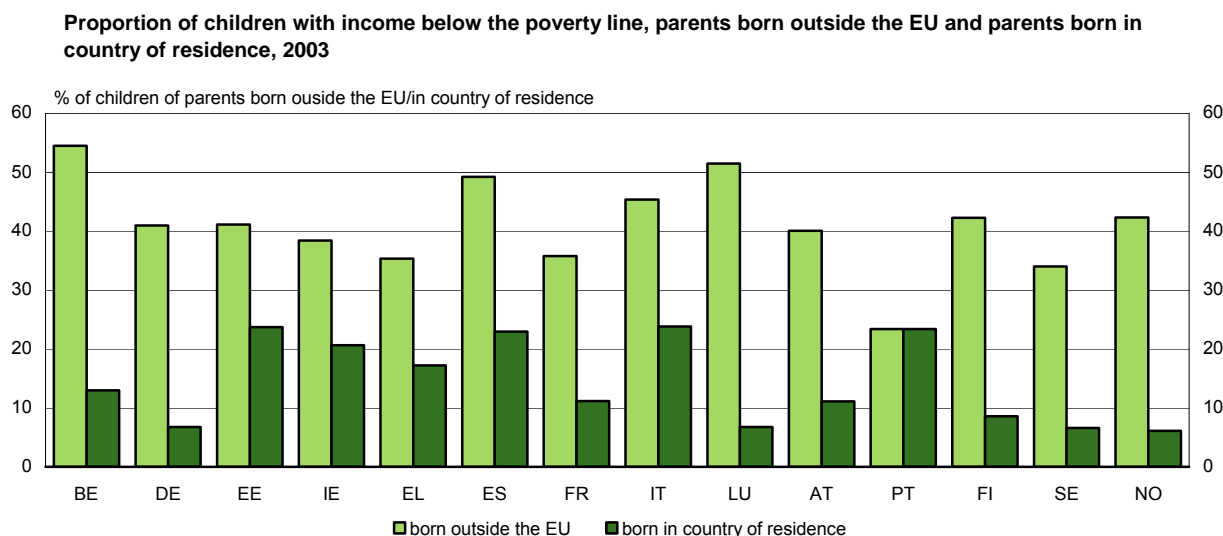


Source: EU-SILC, 2004

In four other countries, the difference is much the same and only in two countries, Ireland and Greece, is the gap in median income between children with parents who come from outside the EU and those with parents born in the country of residence narrower than when households are taken as the unit of measurement.

In the case of the risk of poverty, the proportion of children whose parents were born abroad with equivalised income below the poverty line is slightly higher or much the same as the proportion of households in most countries. The exceptions are Denmark, Spain, Austria, Finland and Norway, where the proportion of children at risk was significantly larger in 2003 than when households are taken as the unit of measurement (Figure 7, which can be compared with Figure 5).

**Figure 7**



Source: EU-SILC, 2004

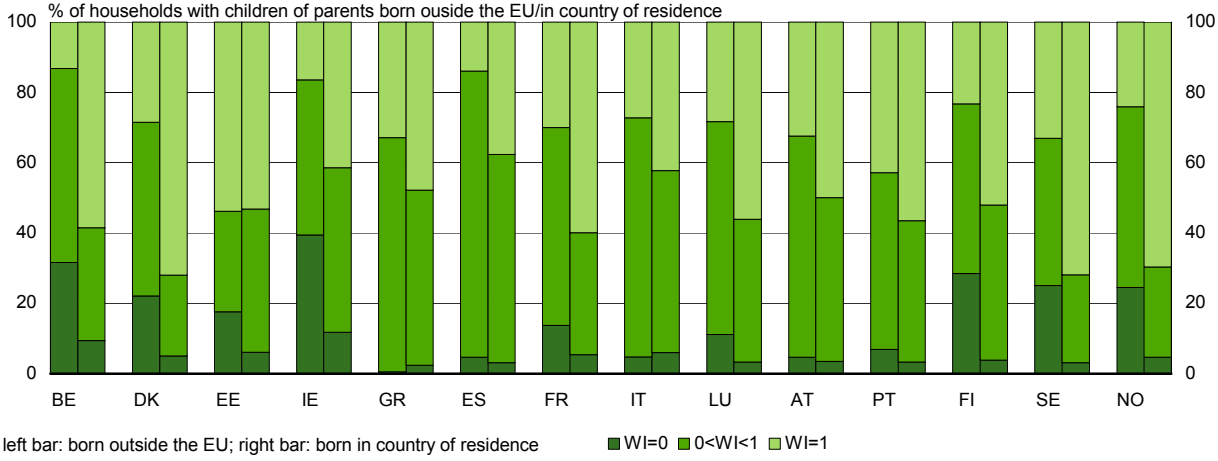
In each of these 5 countries, with the slight exception of Spain, the risk of poverty among those born locally is only marginally different if children rather than households are taken as the unit of measurement.

***Children of parents born abroad and work intensity***

As in the case of those who do not have EU citizenship, the lower average income and higher risk of poverty of households with children whose parents were born outside the EU seems to be strongly

linked to employment. In most of the 14 countries covered – all apart from the four Southern Member States and Austria – the proportion of households with children in which no-one of working age is in employment was markedly larger in the case of those comprising people born outside the EU than in those where people were born in the country concerned (Figure 8).

**Figure 8**  
**Households with children of parents born outside the EU and in country of residence by the work intensity (WI) of households, 2003**

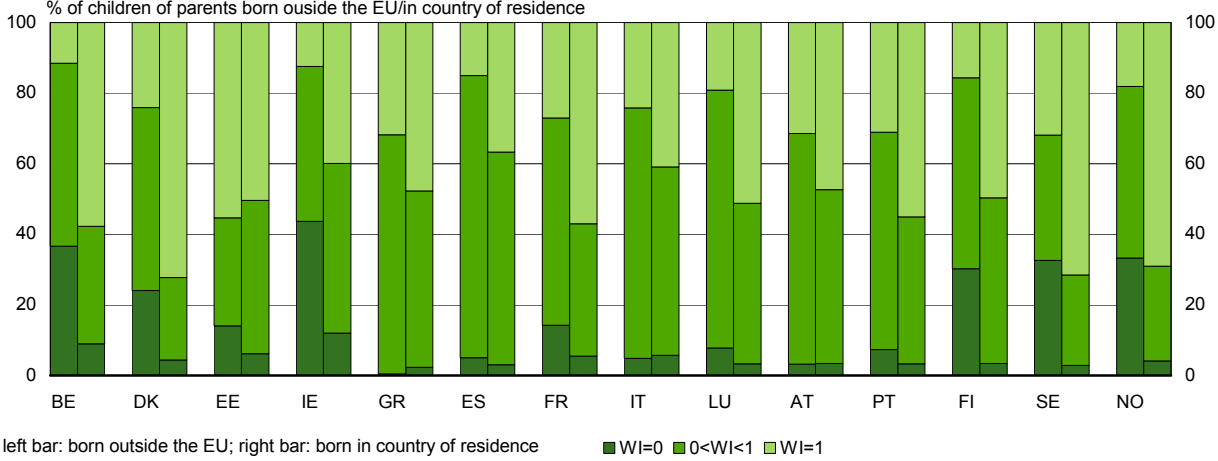


Source: EU-SILC, 2004

At the same time, the proportion of households in which all members of working age were employed was significantly smaller in all the countries except Estonia.

Much the same pattern is evident if children rather than households are taken as the unit of measurement, except that the difference in work intensity between those whose parents were born abroad and those whose parents were born locally tends to be more pronounced (Figure 9)

**Figure 9**  
**Children of parents born outside the EU and in country of residence by the work intensity (WI) of households in which they live, 2003**



Source: EU-SILC, 2004

In Sweden and Norway, therefore, around a third of children of parents born outside the EU lived in workless households, in Belgium, 37% and in Ireland, as many as 44%. By contrast, only in Ireland did more than 10% of children whose parents were born in the country live in workless households. Equally, only in Estonia, did more than third of children whose parents were born outside the EU live in households where all those of working age were employed. For children whose parents were born in the country in which they were resident, the proportion was over 40% in all countries apart from Spain (37%).

## **Conclusions**

Children whose parents do not have EU citizenship or who were born outside the EU have both access to a lower median income and a higher risk of poverty than those whose parents are citizens of the country in which they live or were born in the country concerned. As such, the evidence seems indicative of the disadvantage in terms of income and the greater risk of social exclusion which migrants and ethnic minorities seem to experience.

This disadvantage does not seem to be linked to the presence of children as such, since a similar disadvantage is evident for those who do not have children. Nevertheless, the disadvantage experienced by children is of particular concern not only in itself but because of its implications for their future life chances. The disadvantage does, however, seem to be linked to employment, in the sense that children whose parents do not have EU citizenship or were born outside the EU are far more likely in most countries to live in households where no-one of working-age is employed and much less likely to live in households where everyone of working age is in full-time employment.

## ***Ethnic minorities and child poverty in the UK***

Ethnic minorities are far from being a homogenous group with similar characteristics and facing the same kinds of problem. In practice, the term covers a number of different sections of the population with varying legal rights and in differing circumstances according in part to whether or not they have citizenship of the country in which they live and the time they have been resident there. In some cases, the people concerned may be newly arrived migrants, in others, they may be the descendants of people who moved to the country several generations before or even many centuries before, as, for example, in the case of the Roma in many parts of Europe. Circumstances can vary, however, even between ethnic groups who have been in the country for similar periods of time, depending on, for instance, their cultural and social ties to the country in question or the colour of their skin, as well as, of course, between individuals within groups, according to their education level, their familiarity with the local language and social norms, the job they do and so on.

Nevertheless, distinguishing empirically between ethnic minorities to take account of these kinds of consideration is far from easy from the data available. In many European countries, as noted above, statistics are not collected on the ethnic origin of people as a principle, but only on their country of birth and citizenship, or nationality. The UK is an exception. Here data are routinely collected on ethnicity, in large measure to inform policy-making and to serve as a basis for assessing the policies in place, and, therefore, it is possible to examine the position of different ethnic groups in terms of their household circumstances, their income and risk of poverty.

How far the conclusions reached from analysing these data can be generalised to other EU Member States, however, is open to question, especially since circumstances in the UK differ from those elsewhere. In particular, while the UK imposes some of the most severe restrictions on immigration in the EU, even against people from its former colonies, it also has a relatively large number of people from minority groups who have been in the country for several generations. Partly because of this, it also has relatively long-standing and fairly comprehensive legislation against discrimination, going back (to 1965) many years before similar legislation was introduced in many other parts of Europe (following the Racial Discrimination Directive in 2000).

Despite this legislation and their long-standing presence in the country, the evidence strongly suggests that ethnic minorities are disadvantaged in the UK, irrespective of their residence rights, whether or not they have citizenship and whether they are second or third generation migrants. The disadvantage of the main groups of minorities, from South Asia and the Caribbean and, more recently, from Africa, were highlighted in relatively early studies from the 1950s and 1960s on<sup>16</sup>. This disadvantage, moreover, does not seem to have dissipated with time. At the same time, studies over the last 10-15 years, have stressed the divergence in experience and in the scale and nature of disadvantage among the different main groups, but most especially among the non-white ethnic groups<sup>17</sup>.

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<sup>16</sup> This was a focus of the first of four decennial surveys undertaken by the Policy Studies Institute, See  
<sup>17</sup> Modood, T., Berthoud, R. and others (1997) *Ethnic Minorities in Britain: Diversity and Disadvantage*. London: PSI;  
Platt, L. (2007a) *Poverty and Ethnicity in the UK*. Bristol: The Policy Press

According to the Census of Population, in 2001, non-white ethnic minorities, made up around 8% of UK, around half of whom were born in the UK. Since the differences between different minority groups, however, in terms both of the proportion born in the country and in their situation relative to the majority population is so large, there is a growing recognition that it makes no sense to analyse questions of welfare, participation or social rights in terms of a majority-minority dichotomy.

The issue of relative disadvantage and the risk of poverty among the children in ethnic minority groups is important not only in itself but equally significantly because it is likely to be indicative of their future prospects.

Overall, the children of minority groups make up 12% of the population of children in the UK but 20% of those at risk of poverty in the sense that the households in which they live have an income below 60% of the national median. These figures mask major differences between children in different ethnic groups. Recent figures from the Family Resources Survey indicate that the risk of poverty among Black African, Pakistani and Bangladeshi children, measured in these terms, is more than double the rate among white children (Table 2). For black African children, the proportion at risk of poverty is almost 56%, for Pakistani children, 60% and for Bangladeshi children, as much as 72%.

**Table 2: Child poverty rates after housing costs, Great Britain 2002/03-2004/05**

	Child poverty rates
White groups	25.1
Black Caribbean	36.8
Black African	55.7
Indian	31.9
Pakistani	60.0
Bangladeshi	72.0

Source: Households below Average Income data, DWP.

Notes: Proportions are based on population weighted data. Ethnic group is that of the household reference person. Those living in households where the reference person is of another ethnicity than those illustrated – or of mixed ethnicity – have been excluded from this discussion due to small sample sizes for individual categories. The poverty threshold is calculated as 60% of median equivalised income.

These proportions, however, vary between children living in different types of household and the apparent effect of ethnicity on the risk of poverty is by no means uniform between household types. For white children, therefore, those with a lone parent make up the largest proportion of the total living in households with income below the poverty line, but the risk is highest among those with two parents neither of whom is in full-time work (Table 3). Conversely the risk of poverty is relatively low for those living in a household in which there is at least one wage-earner; but because such households make up the majority of those with white children, they still account for nearly half of all white children in poverty.

**Table 3: Child poverty by family type and household employment status: % risk of poverty and % share of poverty by type of household**

Ethnic Group	Risk of poverty in type / share of children in poverty	Family type			Employment status Households with one or more earners
		Lone parents	Couple parents: at least 1 full-time worker	Couple parents: no full-time workers	
White groups	Risk	48	12	62	15
	Share	46	32	22	49
Indian	Risk	55	19	86	24
	Share	20	44	36	64
Pakistani / Bangladeshi	Risk	63	46	83	54
	Share	14	32	54	54
Black Caribbean /Black African	Risk	59	19	82	25
	Share	69	15	16	35

Source: As for Table 2

By contrast, lone-parent families account for only a small share of Indian, Pakistani and Bangladeshi children at risk of poverty, but they make up over two-thirds of Black Caribbean and Black African children at such risk. The risk for all the ethnic minority groups is high for children in these circumstances (the proportion varying between 55% and 63%; but again the risk is not as high as for those living with two parents neither of whom is in full-time employment, which is over 80% for Indian, Pakistani, Bangladeshi and Black Caribbean children. For Pakistani and Bangladeshi children, however, the risk of living with two parents with at least one of them in full-time work is also relatively high ( 46%), and even among Indian children, is over 2½ times higher than among white children, highlighting the low earnings of the parents concerned. Indeed, in all households with one or more earners, including those not in full-time work, the risk of poverty is over 50% for Pakistani and Bangladeshi children, while for Indian children, it is much lower ( 24%) but such households account for nearly two-thirds of Indian children with income below the poverty line.

The risk of poverty also varies between households with different numbers of children (Table 4). Whereas, therefore, the majority of poor white, Indian, Black Caribbean and Black African children live in families with one or two children, over two-thirds of poor Pakistani and Bangladeshi children live in families with three or more children. For all ethnic groups, the risk of poverty from living in a larger family is higher than that of living in a smaller family; but for Pakistani, Bangladeshi, Black Caribbean and Black African children the risk of poverty in a smaller family is still higher than for white children living in a large family.

**Table 4: Child poverty by family size: risk of poverty and share of poverty by type of household**

Ethnic Group	Risk of poverty within type/ share of children in poverty	Family size	
		1 or 2 children	3+ children
White groups	Risk	22	32
	Share	62	38
Indian	Risk	26	46
	Share	55	45
Pakistani	Risk	51	66
	Share	32	68
Bangladeshi	Risk	59	79
	Share	29	71
Black Caribbean /Black African	Risk	41	54
	Share	53	47

Source: As for Table 2

In order to reduce the risk of poverty for children from ethnic minorities, there is a need to focus on both situations in which the risk is disproportionately high (such as children living in households with no-one in full-time work) and situations accounting for the greatest proportion of children at risk in respect of particular ethnic groups (such as, for example, Black Caribbean and Black African children living with a lone parent. or those situations where they overlap (for example, Pakistani and Bangladeshi children living in households with at least one earner).

**Concluding note**

It is perhaps relevant to note that while the UK has targeted specific policies on both child poverty and the disadvantages experienced by ethnic minorities, there has been little attempt to unify the two strands<sup>18</sup>. The Government’s original commitment to ending child poverty made specific mention of the fact that poor children were more likely to live in ethnic minority families, but this seemed to treat the fact more as a characteristic of poverty than as a focus for intervention. In general, both policy developments and monitoring and reporting systems have kept the two issues separate, linking the

<sup>18</sup> Platt, L. (2007b) Child poverty, employment and ethnicity in the UK: the role and limitations of policy. *European Societies*. Forthcoming.

disadvantages of ethnic minorities with employment targets and 'welfare to work' and monitoring this at the level of the individual; and child poverty with changes to the social security system and monitoring this at the level of the family<sup>19</sup>.

There is arguably a strong need to recognise that the wider concern with child poverty is particularly salient in relation to the experience of ethnic minorities and the limitations which are implied for future opportunities as well as for the present risk of deprivation.

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<sup>19</sup>

Sutherland ref.

## Annex Table

Household type	Country of residence	Proportion of households with children with income below the poverty line, parents born:		Median income of households with children of parents born outside the EU relative to that of households with parents born in country of residence	Distribution of households with children of parents born:	
		<i>in country of residence</i>	<i>outside the EU</i>		<i>in country of residence</i>	<i>outside the EU</i>
<i>per cent</i>						
Single parent household, one or more dependent children	BE	31	71	86	15	11
	DE	13	41	89	18	14
	EE	43	59	82	15	14
	IE	54	40	119	14	10
	EL	25	57	69	3	4
	ES	42	31	112	4	3
	FR	26	49	75	13	12
	IT	31	55	72	7	6
	LU	26	63	64	7	9
	AT	23	33	95	11	7
	PT	26	30	132	6	6
FI	15	21	91	13	10	
SE	19	32	92	19	17	
NO	16	29	78	18	12	
2 adults, one dependent child	BE	5	53	72	26	21
	DE	4	11	81	23	33
	EE	14	53	77	31	30
	IE	10	33	81	19	32
	EL	12	24	62	27	30
	ES	12	37	67	33	29
	FR	7	32	80	26	23
	IT	14	42	83	30	30
	LU	2	12	81	28	17
	AT	9	29	75	28	26
	PT	13	18	103	34	36
FI	5	27	66	26	34	
SE	2	36	75	23	26	
NO	3	20	87	22	29	
2 adults, two dependent children	BE	7	36	66	33	24
	DE	3	18	70	40	26
	EE	17	18	97	25	22
	IE	8	58	92	29	25
	EL	16	40	64	59	48
	ES	24	47	78	41	32
	FR	8	19	91	40	32
	IT	23	47	82	38	37
	LU	4	88	78	37	29
	AT	8	31	85	33	33
	PT	27	25	115	32	32
FI	4	25	92	36	26	
SE	3	20	90	40	33	
NO	4	19	90	37	35	
2 adults, three or more dependent children	BE	14	44	72	19	27
	DE	8	59	63	15	21
	EE	27	15	89	11	7
	IE	21	20	83	21	20
	EL	28	67	77	2	2
	ES	36	87	54	6	9
	FR	10	36	78	16	23
	IT	33	46	80	10	8
	LU	1	60	68	15	30
	AT	13	61	68	11	15
	PT	33	25	81	6	6
FI	10	62	74	22	26	
SE	5	48	74	15	20	
NO	4	66	71	19	18	
Other households with dependent children	BE	12	90	64	8	17
	DE	4	5	87	4	6
	EE	15	16	95	17	28
	IE	11	55	67	17	13
	EL	29	13	101	8	15
	ES	22	24	101	16	26
	FR	10	54	75	6	10
	IT	26	43	99	14	19
	LU	11	16	96	12	16
	AT	7	17	91	17	18
	PT	17	0	83	22	20
FI	11	0	107	4	4	
SE	6	29	76	3	5	
NO	2	30	76	4	6	

Source: EU-SILC, 2004

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