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CHILD POVERTY IN WEALTHY COUNTRIES

Review of *Child Well-Being, Child Poverty and Child Policy in Modern Nations* by Koen Vleminckx and Timothy M. Smeeding and *The Dynamics of Child Poverty in Industrialized Countries* by Bruce Bradbury, Stephen P. Jenkins, and John Micklewright

Thirty years ago most studies of poverty were qualitative in nature—the lack of comparable international household data sets frustrated international quantitative comparisons. *Child Well-Being, Child Poverty and Child Policy in Modern Nations* and *The Dynamics of Child Poverty in Industrialized Countries* both demonstrate how far the international analyses of poverty have come in the last generation. Almost every chapter in both volumes relies on comparable, quantitative data and standardized concepts. Neither book would have been possible without the standardization of international household surveys pioneered by the Luxembourg Income Study (LIS) for cross-sectional data (http://www.lisproject.org.) and later emulated for longitudinal studies. Researchers may now take such data for granted but in the early 1980s, when some European national statistical offices protected their survey data even from their own researchers, Lee Rainwater's conception of a LIS project was seen by some as delusional. However, Tim Smeeding relentlessly pursued the statistical offices to share their protected survey data, and fund the harmonization effort. Today, LIS has standardized income household surveys for 35 countries, and comparative empirical analysis can be done with confidence.

The international analyses of child poverty in these two volumes are a testimony to the critical importance of these harmonization efforts. International comparisons are now dominated by analyses of the data rather than discussions of their comparability. These volumes have taken this international comparability to an important, and often overlooked, demographic group—children. Both volumes demonstrate the importance of using the child as the unit of analysis and evaluation—and our reading of both volumes also suggests the question of how best to measure poverty from a "child centered" perspective.

Both volumes also extend the standardized poverty analyses beyond the familiar economics of Europe and North America. The new countries of Central Europe and Central Asia have severe problems of child deprivation, but they also fit uncomfortably within the kinds of analyses tailored for the western countries—which raises the question of how measurement concepts should be modified for different cultures.

In both volumes, a major theme is that the United States is atypical—both because the U.S. has greater income inequality than other countries, and because of its different values. The U.S. comparison with other countries is, however, less

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bleak if an absolute, rather than a relative, poverty measure is used or when consumption, rather than income, is the measure of poverty. (And both issues return this review to the basic question of how to improve the measurement of poverty for children.)

The Vleminckx-Smeeding (VS) volume provides a comprehensive review of what is known about child poverty in 18 countries using cross-sectional data at various points in time. LIS data are interspersed with time use data, longitudinal surveys and some modeling work and the last chapter by VS asks what have we learned. The answer is that we have learned a lot in the past 20 years by cross sections, but we still know little about the international dynamics of poverty—a gap which the Bradbury, Jenkins, Micklewright volume (BJM) begins to fill.

The VS volume can be seen as a rapid-fire series of snapshots of poverty in different countries, while the BJM volume complements the VS volume with a moving picture that connects the snapshots. The longitudinal income data from seven countries in the BJM volume illustrate how the people become poor and how they escape from poverty. The price we pay for this longitudinal data is less exact comparability than the LIS data, but despite the data issues, international patterns in the dynamics of child poverty in seven countries can be seen for the first time.

The introductory chapter in both volumes is an important cross-sectional summary of child poverty in 25 countries by Bradbury and Jantti. As one might expect when the authors of the two chapters are identical and the countries compared the same, the analyses are similar, but the Bradbury-Jantti conclusions are novel enough to bear repeating. They find that the relative poverty of children is similar, whether the poverty definition is 50 percent of the population median income or 50 percent of the child median income. Using an absolute line, such as the U.S. poverty line, however, makes a substantial difference in the rankings of the countries, increasing child poverty rates for 22 out of 25 countries, which illustrates one of the classical dilemmas in measuring poverty, both locally and internationally.

Like other chapters in both volumes, Bradbury-Jantti also find that single parent families were poorer than two parent families in every country examined. The proportion of lone mother families in the 25 countries varied from 2 percent in Italy to 15 percent in the U.S. and Sweden, but this difference does not explain the diversity of poverty outcomes among the countries. Neither does social expenditures as a percentage of GNP. The size of cash transfers is important for reducing poverty, but in no country is it the most important factor. The most important determinant of the level of child poverty is the availability of employment incomes to vulnerable families. Having work and its benefits is more important to reducing poverty than any other single variable—an important insight which suggests that despite the many different welfare systems in industrial countries, none have substituted for the power of work and wages in poverty reduction.

These introductory chapters also highlight some of the important "technical" measurement issues in evaluating child poverty. As Bradbury-Jantti suggest in their VS chapter, the choice of sharing unit and equivalence scale are the "two major decisions" that must be made in a study of child poverty. The choice of equivalence scale is likely to be equally critical in the examination of poverty dynamics (although BJM claim that the major results will not depend on these adjustments). All papers assume that the resources within the family (or household) are distributed equally among the members (in particular, between the adults and children). While most papers choose an equivalence scale that is becoming common in international comparisons—the square root of family size (see Buhmann *et al.*, 1988)—others use alternatives ranging from the more general two-parameter scale used in Bradbury and Jantti (adults + 0.7children)$^{0.85}$ to the scales implicit in the official U.S. poverty thresholds, and the OECD-type scales used by Nolan in the VS volume.

The choice of equivalence scale can have a significant impact on child poverty rates and the resulting international comparisons. It seems that the standard for these comparisons is to use the same scale for all countries, even though the relative poverty measures differ depending on the countries' resource distribution. In fact, in their first publication of their results, Bradbury and Jantti (1999) admit that this "standard" equivalence scale may be "inappropriate." Not only could different transfer policies affect the scale, but there could also be differences in the cost of children across countries, which are particularly critical in examining child well-being, especially for children in lone mother families. Implicitly, the common use of the square root of family size as the equivalence scale presumes, for example, that a three-person family always has the same cost of living differential, whether it is a two-parent–one-child family or a one-parent–two-child family. The implicit equivalence of child and adult costs is surely questionable. Most of the scales used in the two volumes under review have similar child costs (as given by the ratio of the scales between two-parent families with two or three children), but they may have different adjustments for the loss of a parent (as given by the ratio of the scales between two-parent–two-child families and one-parent–two-child families)—adjustments ranging from a decrease of 13 to 29 percent.

It would also have been useful for the volumes to more fully discuss the implications of the second major decision—the "equal sharing" assumption. In many societies, parents choose to make sacrifices for their children, and these can affect the relative well-being between the adults and children in the family. This assumption can greatly affect the measure of child poverty (see Jenkins, 1991). The Davies-Joshi chapter in VS attempts to address some of these issues in the context of gender differences.

While the Bradbury-Jantti chapter illustrates the differences in the *levels* of child poverty across countries, the Bradbury, Jenkins, and Micklewright chapter in the BJM volume illustrates the similarities in the *dynamics* of child poverty. About 60 percent of children who were in the bottom quintile one year were still there the next year and the proportion of children who were poor for five years was between 6 and 9 percent in all the countries examined. Contrary to the speculation that the U.S. poverty population might be more mobile than the poverty population in other countries because of the highly mobile U.S. labor force, these comparisons suggest that exit from poverty is no easier in the U.S. than in other developed countries.

As well, in most countries the fall into child poverty was from a higher income level than near poverty and in every country studied the majority of children leaving poverty did not settle into the "near poor" range, which suggests that becoming poor and non-poor in most developed countries is the result of more substantial financial changes than a few dollars shifting above and below the poverty line. This chapter was particularly interesting because the similarities of the dynamics of poverty has gone largely unexamined.

However, one of the limitations of both volumes is the one-dimensional approach to child poverty (and child well-being in general) taken. Most papers focus exclusively on the headcount poverty rate (i.e. the number of children living below a certain threshold level of resources). Clearly the distance from the poverty line is important in understanding the dynamics of poverty, but discussion of it was curiously missing. Poverty gaps matter in the measurement of poverty because costs, and therefore the success of poverty policies, depend on both rates and gaps (see Osberg, 2000). Since poverty intensity varies by country, and also may move in different directions than the poverty rate, it is a missing piece in the poverty puzzle explored in these two books.

The combined analyses in the two books also highlight two types of children who need more attention in future studies of child poverty: the youngest children and children born to immigrants. One chapter in the VS book and five in the BJM volume disaggregate their results by age of children, revealing a consistent pattern of age-related child poverty across nations. As Aber and Elwood observe in the last chapter of BJM, "Biology and economics conspire to lead to most children being born when parents' wages are typically at their lowest." As well, the category of "child" covers a broad group ranging from the inchoate infant in a crib to the adolescent in the workplace. The extreme poverty of the youngest children raises the question of whether the "child" category is too heterogeneous and should be subdivided into more meaningful age categories.

The two chapters on Germany written by Frick and Wagner in VS and Schluter in BJM were the only ones looking specifically at the children of immigrants, or guest workers, who in Germany make up almost 14 percent of the total child population. These children increased the poverty rate of Germany as a whole by one percentage point because their poverty rates were 57 percent higher than native-born German children, and they were also at a substantial disadvantage in their placements in schools. Schluter also shows that they had longer durations of poverty than native German children and the swings in their entrance and exit rates from poverty were larger than for native children.

Australia (20 percent), Canada (18 percent) and the United States (11 percent) have the highest percentage of foreign born in their general population, and in all three countries the children of the foreign born are an increasing share of the total population of children. They also are likely to have higher poverty rates than the native born and have some of the same school problems described in Germany. Although immigrant children did not make it into the poverty analyses of other countries in these two volumes, it is an important gap in the analyses of child poverty.

The VS and BJM volumes also provide three important examples of countries that are exceptions to generalizations about international poverty: the central European and Asian countries that are now in their second decade of transition from Communism; Britain, which now rivals the United States for the highest rates of child poverty in western countries; and the United States, which continues to be atypical.

The collapse of Communist governments precipitated one of the most tumultuous economic periods since World War II in Central Europe. The first three years of transitions to more liberal economies saw most striking economic changes in the loss of GNP per capita, the rise of income inequality, and large changes in the relative status of different population groups. The ratio of median income of children to the median national income rose 18 percent in Hungary, declined 4 percent in Poland and stayed at parity in the Czech Republic (see Torrey *et al.*, 1999), reflecting different policy priorities for protection of the most vulnerable groups. Relative national poverty rates varied from 6.3 percent in Poland to 7.8 percent in Hungary. As discussed in the Micklewright-Stewart paper in the VS volume, child poverty rates were higher than the national rates for Poland and Hungary and lower for the Czech Republic.

A more detailed look at Hungarian poverty by Galasi-Nagy in the BJM volume suggests that the rise in child poverty had approached the decreasing rates for the elderly by 1996. Poverty rates were the highest for children in households with two couples not working—even higher than for children in non-working lone parent households. Forty-four percent of Hungarian children between 1992 and 1996 experienced poverty, but most poverty was only transitory. By 1996, however, the flows into poverty were higher than the flows out of poverty. Much of the change in poverty status was unrelated to the number of workers in the household, suggesting that changes in wages rather than the number of workers were more important to these poverty transitions.

The Falkingham chapter in the VS volume documents the dramatic change in real GDP through the 1990s in Central Asia in general, and the substantial increase in poverty in Kyrgyzstan in particular, with child poverty rates that reached over 50 percent in 1996. This was mediated by the continuing decline in infant mortality, but there has also been a disturbing decline in school enrolment rates for all five countries. Clearly, the transition from "dictatorship to democracy" has been harder on children in Central Asia than in Central Europe.

Central Europe and Central Asia, however, are not the only places where child poverty rates increased in the 1990s. Child poverty, relative to the median income, has been increasing faster in the UK (and Italy) than in any other country except those in Central Asia and Central Europe. Between 1979 and 1995 relative child poverty doubled in the UK, with child poverty increasing faster than the national poverty rate in general—an instructive example of what can go wrong in a country that had in the past actually achieved relatively low rates of child poverty.

The Gregg-Machin chapter in VS and the Hill-Jenkins chapter in BJM both use longitudinal data to document the deterioration of child well-being in Britain. Gregg and Machin find a decrease in mobility over time between income quartiles for parent and son and that family financial difficulties were more important in determining future labor force outcomes of children than family structure. Educational attainment can ameliorate childhood disadvantages, but the cognitive skills of children of disadvantaged parents were lower than those of parents without disadvantages. Hill and Jenkins find that chronic poverty in Britain was more important for the children up to age 11, while transitory poverty was higher for the 12–17 year olds. Income smoothing over several years would decrease the current poverty of children, but chronic poverty would still be high.

Despite Britain's large increases in child poverty between 1979 and 1995, their relative child poverty rate in 1995 was still lower than in the United States. The U.S. rate is larger no matter whether it is calculated as 50 percent of the national median income or 50 percent of the child median income (or whether different equivalence scales are used). Only if poverty is measured by the absolute standard of the U.S. poverty line does the British child poverty rate exceed the U.S. rate.

Child poverty is also regionally most heterogeneous in the U.S. The Rainwater, Smeeding, Coder chapter in VS on sub-national differences in poverty in Australia, Canada, and the U.S. showed significant differences of child poverty by regions within each country with the largest variance being in the United States—which raises the question of whether the right reference group is used when measuring child poverty in large countries—children nearby in the same state or all children in the nation. This is an issue that needs to be addressed systematically in the future, since important information about pockets of relative poverty can be overlooked if national relative income is used as the only benchmark in large countries.

As the BJM chapter in the BJM volume suggests, part of the reason for the coexistence of so much wealth and poverty in the U.S. is that the U.S. had the highest income inequality of the seven Western countries studied. It is not, therefore, surprising that it also had higher income inequality based on income available to children than any other country. Despite the common assumption that one of the strengths of the U.S.'s labor force is its mobility, there is no evidence of greater mobility of the U.S.'s poverty population. Increased inequality in the 1980s was not accompanied by an increase in mobility out of poverty, as Gottschalk and Danzinger show in the BJM volume. U.S. child poverty is as persistent, or more so, than in any of the other countries examined.

However, international comparisons are a useful way to highlight some unique aspects of the U.S. child poverty. Several countries, such as Britain and Ireland, have made the elimination of child poverty an official policy. The U.S., however, has not announced similar policy goals. In fact, Kammerman and Kahn (1997) suggest that the U.S. ". . . is well known as a social policy—and child and family policy—laggard."

Ironically, the U.S. has led the way in developing sophisticated longitudinal data on child poverty, and the U.S. government has funded extensive research on child poverty (see Micklewright, 2002). Trends of U.S. child poverty have been well documented for years (Palmer *et al.*, 1988) and the disadvantage of children relative to the elderly in the U.S. has been the focus of considerable U.S. research (Preston, 1984; Johnson, 2000). Despite the availability of excellent U.S. longitudinal data, public use household data sets, and detailed analyses of U.S. and international poverty, U.S. poverty rates remain high. The chapter by Aber and Ellwood in BJM does claim that longitudinal studies influenced the U.S. in implementing the Temporary Assistance for Needy Families (TANF) reform. Unfortunately, none of the chapters using U.S. data in either volume were written late enough to capture the decrease in child poverty since the TANF policy was implemented.

Why is the U.S. different? An important perspective on U.S. child poverty policies is provided in the Phipps chapter in VS on values, policies and the well-being of young children. She focuses on answers to specific questions in the World Values Survey (in the U.S., Canada and Norway): "Why are there people who live in need? Which reasons are most important?" The largest cause given by the U.S. sample was "because of laziness and the lack of will power." Norwegian respondents thought that the major reason was because of injustice in the society; the Canadian respondents were equally divided between laziness and injustice. A majority of respondents in the three countries agreed that good manners and responsibility should be learned at home. Only in the U.S. did a near majority of respondents also say that hard work should be learned at home. Values matter in public policy, and in this case, the differences among the three countries provide important insights into why child poverty policies in the U.S. may not be as comprehensive or as effective as in other countries.

It is curious that with so little encouragement or public support of children in the United States, the U.S. has the highest fertility rate of any of the countries studied. European countries that have had below replacement fertility for a generation have been using child policies to make it easier for couples to have children. European countries typically pay child income benefits, which in some countries actually increase for higher order children. They provide affordable childcare so that women do not have to face the dilemma of neglecting either career or children. They minimize the risk of poverty for mothers who may have to raise their children alone. Even a country as similar as Canada is to the U.S. has a much lower fertility rate (1.48) than the U.S. (2.0) despite more generous child and family policies. Although it has been suggested that the high U.S. fertility rate is due to the large minority and immigrant populations in the U.S., the fertility rate of U.S. white, non-Hispanic women alone (1.85) is higher than the fertility of almost all of the European countries including their minority and immigrant populations. This uniquely high U.S. fertility rate means that the U.S. is not only atypical in terms of its poverty outcomes, but it is also atypical in terms of its demographic outcomes.

These international differences in fertility rates raise questions about whether income levels, poverty rates and welfare programs are giving us a complete picture of the financial incentives that people face when they consider having children. Most of the chapter authors recognize the limitations of using income data to describe child well-being, which also includes health status, educational resources, consumption and wealth. It is this more complicated mix of factors that determines the incentive structures that adults face when considering procreation. However, an overall view of child well-being is oddly missing from the VS volume, and a useful addition would have been an overview chapter presenting a model of child well-being—what influences a child's well-being and what are the measurement issues. Ideally such a chapter would be a companion to the excellent introductory chapter in the BJM volume that discusses the issues involved in measuring the dynamics of child poverty and raises the questions that need to be asked about the best way to measure poverty of children.

The most striking contrast of child income poverty with child deprivation is provided by Currie in VS, who uses a World Health Organization cross-national survey of correlates of different health behaviors in 11–13 year olds. The variables collected allowed researchers to build a Family Affluence Scale using such items as the number of family cars, the number of bedrooms in the house, and the number of holidays enjoyed in the past year. On these measures, U.S. families with children consistently had one of the highest percentages of affluent families of the 24 countries ranked. The percentage of U.S. families with "low affluence" was about 11 percent, second lowest to Norway. Most U.S. families consume more cars, more appliances, and more housing space than families in other countries. But even if the relatively poor U.S. population is more affluent than some of the non-poor in other countries, does this mean that international comparisons should use absolute, as compared to relative, poverty measures? If the U.S. goes from being the worst of all the countries in terms of child poverty measured by income, but one of the best in terms of child deprivation measured by other criteria, then the poverty concept is more unstable than most analysts assume. Clearly, other measures of deprivation are needed to provide a broader context for policy discussions.

Studies of child poverty in Ireland in both the VS and BJM volumes also illustrate the importance of going beyond income in measuring the deprivation of children, since income and consumption measures paint different portraits of poverty. Ireland's economic growth rates in the 1990s were quite dramatic, but relative child poverty rates in the 1990s, were also high. Brian Nolan co-authored the two chapters on Ireland in VS and BJM, using a combination of income and deprivation measures. Irish children were generally in households with better housing than households in general, but households with children were doing without more appliances such as cars, new furniture, etc. Children were more likely to be in households that had unpaid bills. Even more interesting was the fact that children with the highest deprivation score based on consumption measures were not those with the lowest incomes. Deprivation rates were higher for those children who are between 40 percent and 60 percent of median income, which reinforces the need to broaden the measurement of child poverty.

The National Research Study (1995) on measuring poverty discussed at length the strengths and weaknesses of consumption vs. income measures (Citro and Michael, 1995). More recently, the U.S. Census Bureau has published a report on supplemental measures of material well-being that includes expenditures, consumption and poverty (U.S. Census Bureau, 2003). Both studies reiterate the findings of previous studies that "the levels of poverty and inequality tend to decrease using consumption-based measures." Children, however, tend to be relatively worse off than the elderly with consumption measures of poverty because the elderly often already own their home and many poor families with children do not.

The Irish pictures of income vs. consumption poverty suggest that the two measures may not be substitutes for each other. Income and consumption based measures are complements, together painting a more complete picture of poverty than either one could do on its own. Perhaps the next important volume on child well-being and international comparisons of well-being in general, would be one that compares consumer expenditure surveys in developed countries. The International Labour Organization is currently developing international guidelines for consumer expenditure surveys. The development of harmonized consumer expenditure surveys could generate useful research on poverty to complement the strong analyses in these two volumes.

These two volumes focus exclusively on the poverty of children, but they use the income concept of poverty that was originally developed for measuring the poverty of households, including adults. Income based measures of poverty may be more appropriate for adults who can choose to save or spend depending on their needs, time horizons and tastes, but are they as appropriate for children whose time horizons are typically much shorter than adults? Children typically do not care if their home is owned or rented or whether their family car is bought on credit or not, but they can feel the immediate deprivation of not having a home or family car, or medical care. If children could do their own analysis of their poverty, would they choose a different way to measure it than adults choose to measure it for them?

Almost certainly a child's reference group would not be all of the children in a large country, but would focus more on neighboring children. As the Rainwater, Smeeding, Coder chapter suggests, the levels of poverty might change considerably using the neighborhood (or state in their case) than the national levels. Ironically, although both volumes demonstrate the importance of using the child as the unit of analysis, they use concepts of poverty developed for household units. A better analysis of the needs of children might require using different equivalence scales at different stages in childhood. In addition, children might have different interests than the household or the household's income level. An exploration of the implications of using child-centered concepts of poverty is an important next step; however, analyses of child well-being (and child poverty in particular) must go beyond household poverty. This is one example of many of the intriguing questions these two volumes raise.

The authors in these two volumes are some of the best researchers on child poverty in the world. Their chapters are succinct, bordering on pithy. The organization of each volume is transparent, and the charts are accessible, if sometimes eccentric. Both books set the stage for important next steps in the analyses of child poverty across countries and will be required reading for anyone intrepid enough to take those steps. These two volumes demonstrate the power of international comparisons that use comparable data, the importance of these comparisons for sorting out national vs. international trends, the importance of using the child as the unit of analysis, and the potential for more rational policy making in the 21st century.

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