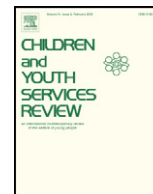


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Child poverty in cross-national perspective: Lessons from the Luxembourg Income Study

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ABSTRACT

This paper draws on the Luxembourg Income Study (LIS) microdata to paint a portrait of child poverty across a diverse group of countries, as of 2004–2006. We will first synthesize past LIS-based research on child poverty, focusing on studies that aim to explain cross-national variation in child poverty rates. Our empirical sections will focus on child poverty in 20 high- and middle-income countries – including three Latin American countries, newly added to LIS.

We will assess poverty among all households and among those with children, and using multiple poverty measures (relative and absolute, pre- and post-taxes and transfers). We will assess the effects of crucial micro-level factors – family structure, educational attainment, and labor market attachment – considering how the effects of these factors vary across countries. Finally, we will analyze the extent to which cross-national variation in child poverty is explained by families' characteristics and/or by the effects of (or returns to) those characteristics. Those returns encompass both market and state-generated income.

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1. Introduction and background

Few social and economic problems are more compelling than child poverty. While poverty is evident throughout the life cycle – affecting children, prime-age adults and the elderly – poverty among children has particular resonance. Child poverty captures our attention for several reasons: it is widely held that children need and deserve protection from hardship; most children have no control over their economic circumstances; deprivation during childhood can have lifelong consequences; and some of the effects of child poverty have spillover effects. Child poverty in rich countries is especially compelling, because it is rooted not so much in scarce aggregate resources but mainly in distributional arrangements, both private and public.

It is well-established that, within most industrialized countries, children's likelihood of being poor is shaped, in part, by their family demography and by their parents' attachment to the labor market. It has also been established that child poverty varies widely across countries, and a substantial share of that variation is due to cross-national diversity in core institutions, including labor market structures and tax and transfer policies. A voluminous body of research, much of it drawing on the Luxembourg Income Study (LIS), demonstrates that upper-income countries report remarkably different poverty outcomes. Stark variation is evident in child poverty rates based on both market income and post-tax-and-transfer income.

As we report in this paper, for example, using a relative poverty framework and after accounting for taxes and transfers, fewer than 6% of children in Denmark, Finland, Norway and Sweden live in poor households. In comparison, 7–9% of children are poor in Austria, the Netherlands and Switzerland; 10–15% in the Czech Republic, Germany, Australia, Luxembourg, and the United Kingdom (UK); 16–20% in Estonia, Ireland, Canada and Poland; 21% in the United States (US), and fully 30–32% in Guatemala and Brazil. Two countries with much in common, the UK and the US, provide a telling illustration of the powerful role played by both labor market patterns and public policy. In the UK, before accounting for taxes and transfers, 33% of children are poor; after taxes and transfers, 14% (fewer than half as many) are poor. In the US, before taxes and transfers, 27% are poor (a lower rate than in the UK) and, after taxes and transfers, 21% (well higher than in the UK).¹ While market outcomes clearly matter, for many children, their risk of living in poverty is strongly shaped by the design of their countries' instruments of redistribution.

In this paper, we draw on the resources of LIS, a cross-national microdata archive, to sketch a portrait of children's poverty across a large number of upper-income countries. In [Section 2](#), we survey the large LIS-based literature on child poverty that has been reported in scores of articles and books. We focus on research that seeks to explain cross-national variation in child poverty levels and synthesize in detail findings from three especially comprehensive studies of child

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poverty. We describe our data and our use of country clusters in Section 3.

In Section 4, we present our cross-national empirical findings, focused on 20 upper-income² countries as 2004–2006.³ We begin with a descriptive overview of poverty among all households and among households with children. In these comparisons, we present multiple poverty measures – relative and absolute, pre- and post- taxes and transfers – and we report the magnitude of poverty reduction due to taxes and transfers. Drawing on lessons from the LIS-based literature on the determinants of child poverty (including our own earlier work), we assess, within countries, the association between child poverty and three consequential characteristics: the type of family in which a child resides, parents' level of educational attainment, and parents' engagement in paid work. We supplement a series of bivariate analyses with a multivariate analysis that, using the US as a base case, poses two counterfactual questions across our comparison countries: What would the child poverty rate be in each country if we imposed the characteristics of American children and their families? And, likewise, what would the child poverty rate be in each country if we imposed “American returns” to these countries' own characteristics? In Section 5, we synthesize our findings.

2. The LIS literature: explaining cross-country variation in child poverty outcomes

The issue of child poverty has attracted considerable attention among scholars using the LIS microdata. Over the last twenty-five years, nearly fifty LIS Working Papers have included child poverty outcomes; in many of these, child poverty is the *central* concern of the paper.⁴ These studies are diverse with respect to conceptual approaches, poverty measures, countries included, years covered, and substantive focus. Several focus on cross-national variation in within-country poverty determinants; many aim to identify and decompose the determinants of cross-national variation.

Several LIS-based studies have assessed child poverty outcomes in general, often with a focus on measurement standards and methods (see, e.g., Brady, 2004; Corak, 2005; Findlay & Wright, 1992; Marx & Van den Bosch, 1996; Smeeding & Rainwater, 1995). Many studies have focused on the effects of household composition on children's likelihood of being poor (see, e.g., Bane & Zenteno, 2005; Beaujot & Liu, 2002; Gornick & Pavetti, 1990; Pixley & Tai, 2008; Rainwater & Smeeding, 2003; Redmond, 2000; Weinshenker & Heuveline, 2006); throughout these studies, single motherhood has received the most sustained attention. Other studies have focused on the effects of parents', especially mothers', employment and earnings (see, e.g., Bradbury & Jäntti, 1999; Misra, Budig, & Moller, 2006; Moller & Misra, 2005; Munzi & Smeeding, 2006; Smeeding et al., 1999; Solera, 1998). Not surprisingly, a central theme cutting across LIS studies on child poverty is the impact of country-level institutions, primarily income tax and transfers policies (see, e.g., Bäckman, 2005; Bradshaw & Chen, 1996; Brady, 2005; Brady, Fullerton, & Cross, 2008; Cantillon & Van den Bosch, 2002; Crettaz & Bonoli, 2010; D'Ambrosio & Gradin, 2000; Hakovirta, 2010; Jäntti & Danziger, 1992; Jeandidier & Albiser, 2001; Kuivalainen, 2005; Makines, 1998; Orsini, 2001; Scott, 2008;

Skinner, Bradshaw, & Davidson, 2008; Smeeding, 2005; Smeeding & Torrey, 1988; Smeeding, Rainwater, & Danziger, 1995; Waddoups, 2004).

Three especially comprehensive studies of child poverty, all using the LIS data, shaped our analyses: a 1999 UNICEF report by Bruce Bradbury and Markus Jäntti, a 2003 book by Lee Rainwater and Timothy Smeeding, and a 2008 journal article by Wen-Hao Chen and Miles Corak. In each of these three studies, the core questions concern explanations for cross-country variation in child poverty outcomes.

Bradbury and Jäntti (1999) studied child poverty across 25 LIS countries as of the early and middle-1990s. One of their central goals was to analyze the sources of cross-national variation, using both relative and absolute measures of poverty. First, Bradbury and Jäntti found that the Nordic and Western European countries usually have low rates of child poverty, whereas Southern European and English-speaking countries typically report high rates. They noted that, while the country rankings differ somewhat between results using relative versus absolute poverty measures, this broad grouping of countries was robust across these two approaches. In contrast, the rankings of most of the transition countries (mainly the former Eastern bloc countries) with respect to child poverty rates depended on which poverty measure was used – a result that is not especially surprising, given that average real incomes in the transition countries are markedly lower than in most of the other study countries. They also found that, across the upper-income countries studied, those with higher levels of national income tended to have lower real poverty rates – although the US emerged as a marked exception, with a substantially higher level of child poverty than its national income would predict. Finally, Bradbury and Jäntti reported that, while much literature appropriately focuses on variation in welfare state institutions when accounting for the diversity of child poverty outcomes across countries, variation in the market incomes received by the families of disadvantaged children was an even more powerful explanatory factor.

Rainwater and Smeeding consolidated much of their earlier LIS-based research on child poverty, and expanded it, in their 2003 book *Poor Kids in a Rich Country: America's Children in Comparative Perspective*. The book is organized around several lines of inquiry, among them: cross-national variation in child poverty rates, the effects of inequality and population characteristics on poverty, and the role of different forms of income in alleviating child poverty in both one-parent families and two-parent families.

Focused on the middle-1990s, Rainwater and Smeeding assessed child poverty variation across fifteen countries: Australia, Canada, the US, and twelve diverse European countries. Overall, they found the same country clusters reported by Bradbury and Jäntti. A primary focus in Rainwater and Smeeding's study is the role that demography plays in explaining variability in child poverty rates, where demography includes the household's age composition, gender composition, and size, as well as the earning status of the head, spouse and other household adults. With their eye on explaining the exceptionally high US child poverty rates, they concluded that demography is by no means destiny: the demographic composition of the US contributes to its higher child poverty with respect to only half of their study countries and, in most of those cases, its contribution is modest.

Finally, Chen and Corak, in a 2008 *Demography* article, “Child Poverty and Changes in Child Poverty”, assessed child poverty trends during the 1990s in the US and eleven European countries. Chen and Corak draw three lessons. First, family and demographic shifts played a relative minor role in explaining child poverty trends throughout the 1990s (partly because these factors evolve slowly). That said, in eleven of the twelve study countries, to the extent that changes in parental characteristics had an effect, they lowered child poverty rates. Second, changes in employment and earnings mattered much more. In nine of the twelve countries in their study, the increased labor

² The World Bank classifies countries into four income categories – high, upper-middle, lower-middle, and low – based on per capita GDP. As of the 2010, 17 of our 20 study countries are classified as “high income”. Two, Brazil and Colombia, are classified as “upper-middle”, and one, Guatemala, as “lower-middle”. Throughout this chapter, we use the term “upper income” to refer to both high and middle-income countries.

³ This article updates an earlier study of child poverty in 13 countries, as of approximately 2000. That study was published as: Gornick, Janet C. and Markus Jäntti, 2010. “Child Poverty in Upper-Income Countries: Lessons from the Luxembourg Income Study.” In Sheila B. Kamerman, Shelley Phipps and Asher Ben-Arieh (eds). From Child Welfare to Child Wellbeing: An International Perspective on Knowledge in the Service of Making Policy. New York: Springer Publishing Company, 339–368.

⁴ All LIS Working Papers are available on-line; see <http://www.lisdatacenter.org>.

market engagement of mothers consistently mattered – in the direction of lowering child poverty rates. Chen and Corak also found that, in several countries, decreases in the employment rates and earnings of fathers also mattered, contributing to increased child poverty rates. Third, income transfer policy reforms aimed at raising labor supply may or may not increase families' post-tax-and-transfer income. Social policy reforms interact in complex ways with other factors, such as the overall level of child poverty, the extent and functioning of the service and other sectors, and the overall hospitability of the labor market to low-skilled and other disadvantaged workers. Chen and Corak sum up with a cautionary note to policy-makers: “there is no single road to lower child poverty rates. The conduct of social policy needs to be thought through in conjunction with the nature of labor markets (Chen & Corak, 2008, p.552).” Thus, like both Bradbury and Jäntti (1999), and Rainwater and Smeeding (2003), Corak and Chen find that, in explaining cross-national variation in child poverty, demographic variation matters modestly, while national labor market patterns and social policy factors both matter a great deal – and they matter via complex and interacting mechanisms.

3. Snapshot of contemporary child poverty: data, methods, and analytic framework

3.1. Data and methods

For our empirical analyses, we use datasets from LIS's Wave VI, which is centered on the year 2004 (Luxembourg Income Study Database (LIS), 2011).⁵ We selected 20 diverse countries for comparison, including three countries with datasets newly added to the LIS archive – Brazil, Colombia and Guatemala. Our study countries include Australia, Austria, Brazil, Canada, Colombia, Czech Republic, Denmark, Estonia, Finland, Germany, Guatemala, Ireland, Luxembourg, the Netherlands, Norway, Poland, Sweden, Switzerland, the UK and the US. The main criterion for inclusion was the availability of pre-tax (“gross”) income, so that we could meaningfully assess, across all of our study countries, the extent to which taxes and transfers reduce market-generated poverty. While all LIS datasets provide data on pre-transfer income, only a subset provides data on pre-tax income.

3.1.1. Income indicators

As is common in research using the LIS data, we use two main income variables, market income and disposable income.⁶ Both are summary income variables, constructed and provided by LIS. Market income (referred to by LIS as MI) includes earnings, cash property income, and income from occupational pensions. Household disposable income (known in the LIS literature as DPI) is the sum of market income plus private transfers, public social insurance, and public social assistance – net of income taxes and mandatory payroll taxes.⁷ Throughout this chapter, we adjust household income for household size (to “equalize” wellbeing across households of different sizes), using a common equivalence scale transformation, in which adjusted income equals unadjusted income divided by the square root of household size; that represents the mid-point between the two extreme assumptions of no economies of scale and perfect economies of scale.

3.1.2. Poverty measures

We report poverty rates, using multiple measures. In each case, we capture person-level poverty rates, although they are based on household incomes. In other words, our unit of analysis is the individual; we report

⁵ There is some variation within this wave. The datasets from the Netherlands correspond to 2003. The datasets from Brazil and Guatemala report income from 2006. The rest are from the year 2004.

⁶ Market income is often referred to as “pre-tax-and-transfer income” and disposable income as “post-tax-and-transfer income.”

⁷ Imputed rents, and irregular incomes, such as lump sums and capital gains and losses are not included in LIS DPI.

the probability that individuals – primarily children – live in poor households. Specifically, we assign the equivalized household income to each household member and estimate all results at the person level. In the first three tables, we report relative poverty rates, based on both market income and disposable income, in each case setting the poverty threshold at 50% of median (size-adjusted) household disposable income.

In these first two tables, we also report poverty rates, using the US' poverty line (marked “US line”) as the threshold. The US line, usually described as an *absolute* poverty line, is based on a longstanding US government measure derived from the estimated cost of a basket of food for a given family size, and annually adjusted for inflation. We convert the US line for a family of four to a single-person poverty line using our equivalence scale – the square root of family size – and apply that to all cases. We use the OECD's purchasing power parity (PPP) exchange rates to convert those amounts to international dollars.⁸

Finally, we calculate and report poverty reduction across countries, which is captured as the poverty rate based on market income minus the poverty rate based on disposable income.⁹ This difference is an indicator, albeit a somewhat crude one, of the extent to which states lift poor populations out of poverty, using the main instruments of income redistribution.¹⁰ It is important to note that this indicator of poverty reduction reflects an accounting exercise; it does not account for the likelihood that market income (and thus poverty patterns based on market income) would be different if tax-and-transfer programs did not exist.

3.1.3. Demographic and labor market variables

To assess the influence of factors that affect the risk of poverty among children, we construct indicators of family structure, educational attainment, and labor market status. We first classify children as living with their *single parent* (mother or father), with *two parents*, or in *other families* (i.e., those in which the household heads are persons other than their parents). We also classify children according to their parents' educational attainment, more precisely the educational attainment of the head of the household in which they live. Attainment is measured as *low*, *medium* or *high*, using the standardized recodes provided by LIS.¹¹ Low educational attainment includes those who have not completed upper secondary education; medium refers to those who have completed upper secondary education and non-specialized vocational education, and high includes those who have completed specialized vocational education, post-secondary education and beyond. Where LIS did not provide recodes, we constructed them, adhering to these educational cutoffs as closely as possible.

3.2. Social policy regimes

To place the variation across our 20 countries into institutional context, we group the countries into five country clusters. We classify our study countries as follows:

- The *Anglophone* countries include: Australia, Canada,¹² Ireland, the UK and the US.

⁸ Purchasing Power Parity (PPP) exchange rates allow us to more meaningfully compare incomes across countries; PPPs re-express national income amounts in terms of purchasing power. That is, 1000 PPP dollars buys the same basket of goods in every country, when that basket is evaluated at the same international prices.

⁹ To capture poverty reduction, we report the difference between market and disposable income poverty rather than the relative reduction in the market rate. While there are benefits to both approaches, we report the differences because this approach is less sensitive to variation in the level of market income poverty.

¹⁰ Following others in the LIS literature (e.g., Rainwater & Smeeding, 2003), we group private transfers with public transfers, rather than with market income. We do that because a substantial share of these “private” transfers (e.g., child support payments) are regulated and/or mandated by the state, if not directly provided by the state.

¹¹ LIS education recodes are available at <http://www.lisdatacenter.org>.

¹² Following the convention in cross-national research, we refer to Canada as Anglophone, although it is officially bilingual, part Anglophone and part Francophone.

- The *Continental European* countries include Austria, Germany, Luxembourg, the Netherlands and Switzerland.
- The *Eastern European* countries include the Czech Republic, Estonia and Poland.
- The *Latin American* countries include Brazil, Colombia and Guatemala.
- The *Nordic European* cluster includes Denmark, Finland, Norway and Sweden.

In the text and tables, we refer to these groupings by their geographic/regional or linguistic characteristics. However, ultimately it is not geography, region or language that makes these groupings meaningful for our analyses of child poverty across countries. These clusters are meaningful due to their well-established institutional commonalities. Substantial within-cluster variability is evident in all of these groups, but overall they are characterized by important common features. In this section, we offer a brief synopsis of these institutional features – with a focus on policy configurations as they shape both redistribution overall and women's employment patterns.

The clusters that we employ here draw heavily on the work of Danish sociologist Gøsta Esping-Andersen (1990) and on the many extensions to his work contributed by feminist scholars (for a review, see Gornick & Meyers, 2003). Esping-Andersen and others have classified the major welfare states of the industrialized west into three clusters, each characterized by shared principles of social welfare entitlement and relatively homogeneous outcomes. Social benefits in the *Anglophone* countries are typically residual in design, reflecting and preserving consumer and employer markets, with most entitlements derived from need based on limited resources. The *Anglophone* countries, especially the US and Canada, have labor market and social policy features associated with relatively high women's employment rates. The *Continental* countries are characterized as typically tying transfers to earnings and occupation, with public provisions tending to replicate market-generated distributional outcomes. In the *Continental* countries, social policy is also shaped by the principle of subsidiarity, which stresses the primacy of the family and community for providing dependent care and other social supports.¹³ In contrast, social policy in the *Nordic* countries is characterized as organized along social democratic lines, with entitlements linked to social rights. The *Nordic* policy framework has also historically emphasized gender equality, especially with respect to rates of labor force participation.

Subsequent cross-national research has extended “the three worlds” to characterize other country groupings as well. Perhaps most obviously, the *Eastern European* countries are understood to share common traits. Some characteristics have been carried over from the state socialist period, whereas others emerged during the transitions. In their review of family policy shifts in Eastern Europe, Saxonberg and Sirovatka (2006) argued that the post-Communist regimes have tended to move towards relatively conservative family policy and labor market schemes – schemes that are compatible with a push to encourage women to leave the labor force to raise children. Saxonberg and Sirovatka qualify their claim, noting that the *Eastern European* countries are, at present, remarkably diverse with respect to policy offerings.

While comparative welfare-state research, especially with a European focus, generally excludes *Latin America*, social policy in these countries also displays characteristic features. Although *Latin America* has a long history of social policy development, income benefits have typically been extended only to formal workers, mainly in urban labor markets, and informal and/or rural workers have generally been excluded. One result is that much of *Latin America* is characterized by extremely high levels of income

inequality, and post-transfer inequality is often greater than pre-transfer inequality. In recent years, new anti-poverty programs known as Conditional Cash Transfers (CCTs) provide money targeted on poor families, conditional on their adherence to specified behavioral rules, such as attending school or getting medical care. Two of the countries included in our study, Brazil and Colombia, now have CCT programs.

Many scholars have criticized the regime-type framework. Some have argued that the original “three worlds” typology poorly captures women's rights and needs, especially in relation to unpaid work and parenting. Others are concerned that, to a substantial degree, intra-cluster heterogeneity threatens to overwhelm the usefulness of the stylized differences across clusters. While we are sympathetic to these concerns, we make use of these country clusters – however imperfect – because they provide a helpful organizing framework for assessing cross-national variation among upper-income countries. They help us to identify empirical patterns across our comparison countries and they bring into relief the importance of policy configurations for poverty reduction. Working with these well-known groupings will also allow comparative scholars to situate our findings into the larger literature on the nature and consequences of social policy variation across upper-income countries.

4. Results

4.1. Bivariate results

We begin with a presentation of overall poverty rates across our 20 countries, imposing no age cut. (See Table 1, which indicates the percentage of all persons who live in poor households as well as national median equivalized disposable income.) We first report poverty rates based on market-income, using the threshold of 50% of median household disposable income. Considering simple (unweighted) country-group averages, poverty rates are highest in the *Eastern European* cluster, followed by the *Latin American* countries, and lowest in the *Nordic* cluster, with poverty rates in the other groupings falling in between.

Using the US poverty threshold, we see that national poverty rates are still highest in *Eastern Europe* and *Latin America* (dramatically so in the latter group) and lowest in the *Continental European* countries. Looking at the median incomes shown in the first column, it is clear that these large differences in relative and US-poverty-line-based poverty are driven by the very much lower average standard of living in the *Eastern European* and *Latin American* countries compared with the other countries that are included. These *Latin American* results – with poverty rates at a remarkably high 91% – underscore that, when absolute poverty rates are used, comparative analyses of poverty across countries at varied levels of economic development produce quite different results. (Nevertheless, for most of this paper, we use the relative poverty framework.)

Next we turn to poverty rates based on post-tax-and-transfer household income (see the second vertical panel of Table 1). Two clear findings emerge. First, disposable-income poverty rates are lower than the market-based rates (with one exception, Estonia, at the US line). This nearly-universal result is not surprising; it confirms that, on average, at this part of the income distribution, the tax-and-transfer systems in these countries consistently augment household income – in other words, the incoming transfers exceed the outgoing taxes. Second, considering relative poverty rates, the disposable-income results are quite different than the market-income results; the highest poverty rates are still seen in the *Latin American* countries (23%), but now the lowest rates are reported in the *Nordic* and *Continental* countries (6–8%).

The magnitude of poverty reduction, calculated as the market-income poverty rate minus the disposable-income poverty rate, is also reported here (see the third vertical panel of Table 1). This

¹³ Note that we omit France and Italy from our analyses, and from the *Continental European* cluster to which they belong, because the datasets from these countries that are contained in the LIS Database record incomes net of taxes paid, and are thus not amenable to the pre- and post-fiscal analyses that we perform.

indicator captures the “amount” of poverty “removed” when taxes and transfers are considered. Focusing on the 50-percent relative poverty standard, we see that the three European clusters (Nordic, Eastern, and Continental) all reduce poverty, on average, by 20–25 percentage points. Substantially less poverty is reduced in the Anglophone countries (about 15%), and even less in the Latin American countries (9%).

We turn next to child poverty rates with respect to children under age eighteen (see Table 2). The first finding in Table 2 is that the cross-country pattern with respect to market-income poverty is somewhat different: relative poverty rates are now highest in the Latin American group (37%), followed by the Anglophone and Eastern European countries (at 28–29%), and the Continental and Nordic countries (17–18%).

Second, we calculate three key outcomes among children, compared to the same outcomes for all persons, to gauge the extent to which children are under- or over-represented among the poor and the degree to which poverty reduction is greater or lesser for children (see the far-right vertical panel of Table 2.) Considering market-income poverty rates (at the 50% standard), we find that in all of the Nordic, Eastern and Continental countries, children are much less likely to be poor than are all persons. In contrast, in all of the Latin American countries – as well as in the UK – market poverty among children is substantially higher (10–20% higher) than among all persons. After accounting for taxes and transfers, children are still disproportionately likely to be poor in most of our study countries. The Nordic countries are noted exceptions; in all of these countries, children are less likely to be poor – from 16% less likely in Sweden to 40% less likely in Finland. We also see a general pattern of less poverty reduction among children than among all persons. That result is

especially notable in the Continental countries, where the magnitude of child poverty reduction is only 40% of overall poverty reduction. The meager amount of child poverty amelioration in the Continental countries explains the wide discrepancy between market-income poverty (where children are much less poor than the general population) and disposable-income poverty (where children are substantially more likely to be poor).

Elsewhere, we assessed child poverty outcomes, in the same countries, with respect to several child, family, and parental characteristics, including poverty rates among children below age six, and the percentage of children in poverty disaggregated by parental education and labor market status. These results are not reported in this article but are available on-line in the LIS Working Paper version of this paper (see Gornick & Jäntti, 2011).

With respect to child poverty outcomes for the youngest children – that is, children younger than age six – the most salient findings concerned the differences between outcomes among these young children compared to all children (see Gornick & Jäntti, 2011, Table 3). When we focused on market-income poverty, we saw a mixed pattern: in 13 countries, these younger children are more likely to be poor than are all children (2 to 24% more likely); in the other countries, they are generally slightly less likely to be poor. With respect to disposable-income poverty, the pattern is somewhat stronger: in 14 countries, younger children are more likely to be poor than are all children and, in general, their relative disadvantage is larger. Remarkably, this finding is strongest in the (generally “child friendly”) Nordic countries, where, on average, these young children are about one-third more likely to be poor than are all children.

Several factors conspire to place younger children at somewhat higher risk for poverty. In general, younger children live with

Table 1
Percentage of all persons living in poor households.

	Median disposable income	Poverty rate: market income		Poverty rate: disposable income		Poverty reduction [MI less DPI]	
		50% DPI	US line	50% DPI	US line	50% DPI	US line
<i>Anglophone</i>							
Australia	19312	25.8	27.4	11.6	14.7	14.2	12.7
Canada	25240	25.0	21.1	13.0	8.1	12.0	13.0
Ireland	23087	32.9	30.7	13.2	8.7	19.7	21.9
United Kingdom	22695	30.3	28.7	11.6	8.3	18.7	20.4
United States	29210	26.9	20.6	17.7	9.4	9.2	11.2
<i>Average</i>	<i>23909</i>	<i>28.2</i>	<i>25.7</i>	<i>13.4</i>	<i>9.9</i>	<i>14.8</i>	<i>15.8</i>
<i>Continental European</i>							
Austria	24880	28.2	25.4	7.1	3.8	21.1	21.6
Germany	24161	32.3	30.5	8.5	5.1	23.8	25.4
Luxembourg	35000	28.5	19.5	8.8	0.9	19.8	18.7
Netherlands	23195	27.8	26.7	6.3	4.6	21.5	22.2
Switzerland	28291	23.4	20.3	8.0	3.4	15.4	16.9
<i>Average</i>	<i>27106</i>	<i>28.1</i>	<i>24.5</i>	<i>7.7</i>	<i>3.5</i>	<i>20.3</i>	<i>21.0</i>
<i>Eastern European</i>							
Czech Republic	12247	29.5	44.3	5.8	33.4	23.7	10.9
Estonia	7153	31.3	69.5	12.8	72.6	18.5	–3.1
Poland	7639	44.0	81.2	11.6	72.2	32.3	9.0
<i>Average</i>	<i>9013</i>	<i>34.9</i>	<i>65.0</i>	<i>10.1</i>	<i>59.4</i>	<i>24.8</i>	<i>5.6</i>
<i>Latin American</i>							
Brazil	4195	35.9	86.8	20.8	84.3	15.1	2.6
Colombia	2186	27.4	94.4	22.2	93.7	5.2	0.7
Guatemala	2917	33.3	91.5	25.9	90.6	7.4	0.9
<i>Average</i>	<i>3100</i>	<i>32.2</i>	<i>90.9</i>	<i>23.0</i>	<i>89.5</i>	<i>9.3</i>	<i>1.4</i>
<i>Nordic European</i>							
Denmark	24255	25.8	23.9	5.6	2.9	20.1	21.0
Finland	21375	30.6	30.2	6.6	5.5	24.1	24.6
Norway	25862	26.2	23.1	7.1	3.8	19.1	19.4
Sweden	21912	29.5	28.9	5.6	4.4	23.9	24.4
<i>Average</i>	<i>23351</i>	<i>28.0</i>	<i>26.5</i>	<i>6.2</i>	<i>4.2</i>	<i>21.8</i>	<i>22.3</i>

Table 2
Percentage of all children (<18 years old) living in poor households.

	Poverty rate: market income		Poverty rate: disposable income		Poverty reduction [MI less DPI]		Ratio of all children to all persons Table 2 compared to Table 1		
	50% DPI	US line	50% DPI	US line	50% DPI	US line	Market income poverty, 50% DPI	Disposable income poverty, 50% DPI	Poverty reduction, 50% DPI
<i>Anglophone</i>									
Australia	22.7	24.9	11.3	14.0	11.4	10.9	0.88	0.97	0.80
Canada	25.2	21.0	16.8	10.2	8.4	10.8	1.01	1.30	0.70
Ireland	34.3	31.2	15.8	11.2	18.4	20.0	1.04	1.20	0.94
United Kingdom	33.3	31.2	14.0	9.4	19.3	21.7	1.10	1.21	1.03
United States	27.3	19.3	21.3	11.8	5.9	7.5	1.01	1.21	0.65
<i>Average</i>	28.6	25.5	15.9	11.3	12.7	14.2	1.01	1.18	0.82
<i>Continental European</i>									
Austria	16.5	11.9	7.0	4.0	9.5	7.9	0.58	0.98	0.45
Germany	21.3	19.0	10.7	6.2	10.6	12.7	0.66	1.26	0.44
Luxembourg	22.4	8.4	13.3	0.9	9.1	7.6	0.78	1.52	0.46
Netherlands	13.8	12.6	9.1	6.2	4.6	6.4	0.49	1.45	0.22
Switzerland	12.3	8.2	9.2	3.5	3.1	4.7	0.53	1.16	0.20
<i>Average</i>	17.2	12.0	9.9	4.2	7.4	7.9	0.61	1.27	0.35
<i>Eastern European</i>									
Czech Republic	21.7	43.3	10.3	42.3	11.4	1.1	0.74	1.78	0.48
Estonia	24.8	69.7	15.5	74.1	9.3	−4.5	0.79	1.22	0.50
Poland	36.9	81.2	17.3	78.6	19.6	2.7	0.84	1.48	0.61
<i>Average</i>	27.8	64.7	14.4	65.0	13.4	−0.2	0.79	1.49	0.53
<i>Latin American</i>									
Brazil	42.7	91.1	31.5	90.8	11.2	0.2	1.19	1.51	0.74
Colombia	30.3	96.1	27.5	95.9	2.8	0.2	1.11	1.24	0.54
Guatemala	38.6	94.5	30.4	94.2	8.2	0.3	1.16	1.17	1.10
<i>Average</i>	37.2	93.9	29.8	93.6	7.4	0.2	1.15	1.31	0.80
<i>Nordic European</i>									
Denmark	16.1	14.5	3.9	1.9	12.2	12.5	0.63	0.69	0.61
Finland	17.1	16.4	3.9	3.4	13.2	13.1	0.56	0.59	0.55
Norway	17.3	14.7	5.3	2.6	12.0	12.0	0.66	0.74	0.63
Sweden	20.4	19.6	4.7	3.6	15.7	16.0	0.69	0.84	0.65
<i>Average</i>	17.7	16.3	4.4	2.9	13.3	13.4	0.63	0.72	0.61

parents' with more limited earnings. The parents of the youngest children (especially mothers) are less likely to be in the labor force, partly because younger children need more care at home. These parents are also younger than the parents of older children, which raises both their risk of unemployment and the probability that they will hold low-paid jobs. That the youngest children, in most countries, are also more likely to be disposable-income poor (compared to all children) suggests that their parents' lower labor market income is not offset by the effects of tax-and-transfer features targeted on families with the youngest children. Also, the (younger) parents of these younger children are probably less likely than their older counterparts to receive some categories of social income, such as unemployment, disability, and retirement pensions.

As noted in the child poverty research literature, family structure explains substantial (within-country) variation in child poverty rates – and our results confirm that overwhelmingly (see Table 3). In nearly every country in this study, children who live with single mothers are more likely to be poor than are children who live with single fathers,¹⁴ and children who live with single fathers are more likely to be poor than are those who live with two parents. (We see exceptions in only three cases, both with respect to disposable

income; in Denmark, children of single fathers are slightly more likely to be poor than are children of single mothers, and in Brazil and Guatemala, children in two-parent families are more likely to be poor than are children of single fathers.)

Children in single-mother families have extremely high poverty rates – in all countries and in all country clusters. The market-income child poverty rate varies from 72%, on average, in the Anglophone countries (with a stunningly high rate of nearly 81% in Ireland), to 60–62% in the Eastern European and Continental countries, and 52–55% in Latin American and Nordic countries. The most favorable rate across the 20 countries, still a markedly high 47%, is reported in Denmark. Using the market-income standard, the greater poverty risk associated with living with a single mother is especially marked in the Continental countries – where, on average, children in single-mother families are about six times as likely to be poor as are children in two-parent families. Remarkably, in the Netherlands, the market-income poverty rate among the children of single mothers is nearly nine times the poverty rate among children who live with two parents.

Taxes and transfers, of course, reduce child poverty across all family types. Yet, even with post-tax-and-transfer income, family structure still matters a great deal. Disposable-income poverty is nearly everywhere lowest among children in two-parent families. Among these children, the risk of poverty is highest (nearly 30%) in the Latin American cluster, followed by the Anglophone and Eastern European countries (10–11%), the Continental group (8%), and the Nordic countries (a much lower 3%). The children of single mothers,

¹⁴ We do not report poverty rates for children in single-father families in Luxembourg, Switzerland, the Czech Republic, and Estonia, because the sample sizes in the unweighted data are too small.

Table 3
Percentage of children (<18 years old) living in poor households, by family type.

	single-mother family		single-father family		two-parent family		ratio of single-mother to two-parent families	
	MI	DPI	MI	DPI	MI	DPI	MI	DPI
	50% DPI	50% DPI	50% DPI	50% DPI	50% DPI	50% DPI	50% DPI	50% DPI
<i>Anglophone</i>								
Australia	69.4	32.3	39.7	24.8	17.3	8.8	4.0	3.7
Canada	67.0	49.9	29.7	22.1	17.9	11.2	3.7	4.5
Ireland	80.7	40.9	32.8	14.3	22.6	10.2	3.6	4.0
United Kingdom	78.3	32.6	57.7	30.8	19.2	8.2	4.1	4.0
United States	62.9	50.5	26.8	19.5	16.7	13.1	3.8	3.8
average	71.7	41.3	37.4	22.3	18.8	10.3	3.8	4.0
<i>Continental European</i>								
Austria	54.7	19.9	30.6	19.5	11.9	5.4	4.6	3.7
Germany	67.6	43.1	32.7	10.1	12.0	4.6	5.6	9.3
Luxembourg	58.2	30.9	NA	NA	19.1	12.0	3.0	2.6
Netherlands	67.5	21.0	24.5	9.7	7.9	7.8	8.5	2.7
Switzerland	60.1	18.5	NA	NA	7.6	8.4	7.9	2.2
average	61.6	26.7	29.3	13.1	11.7	7.6	5.9	4.1
<i>Eastern European</i>								
Czech Republic	64.2	36.3	NA	NA	15.0	6.3	4.3	5.8
Estonia	50.1	35.6	NA	NA	16.0	10.0	3.1	3.6
Poland	65.3	23.1	55.7	17.4	30.3	17.2	2.2	1.3
average	59.9	31.7	55.7	17.4	20.4	11.1	3.2	3.6
<i>Latin American</i>								
Brazil	57.4	42.1	44.2	31.3	38.8	31.9	1.5	1.3
Colombia	48.2	41.3	34.0	31.8	25.5	25.3	1.9	1.6
Guatemala	60.1	29.0	28.7	23.3	34.9	32.3	1.7	0.9
average	55.2	37.4	35.6	28.8	33.1	29.8	1.7	1.3
<i>Nordic European</i>								
Denmark	46.7	8.2	30.9	11.2	10.1	2.9	4.6	2.8
Finland	49.1	11.7	27.5	8.2	12.1	2.4	4.1	4.9
Norway	56.6	14.1	14.3	6.9	10.1	3.3	5.6	4.3
Sweden	54.4	10.4	22.8	5.9	12.4	3.3	4.4	3.1
average	51.7	11.1	23.9	8.0	11.2	3.0	4.7	3.8

NA means results cannot be reported due to small cell sizes ($N < 30$).

compared to the children of two parents, are (on average) three to four as likely to be poor in each of the country clusters – with the exception of the Latin America group where they are only slightly more likely to be poor.¹⁵

Our review of the child poverty literature underscored that labor market income is an enormously influential factor in shaping the likelihood that any given household is poor. Clearly, a household's earnings are shaped by another important demographic factor – the educational attainment of the household head. In Gornick & Jäntti, 2011, we reported market- and disposable-income poverty rates for children living in households headed by adults with low, medium, and high educational attainment (see Gornick & Jäntti, 2011, Table 5). The results clearly showed that heads' educational

attainment is highly (negatively) correlated with child poverty. Nearly everywhere, poverty rates – based on both market and disposable income – are highest in the least educated group, lower in the medium-education group, and lower yet in the most highly educated group. The greater risk of poverty, for children, associated with living in a house headed by an adult with low educational attainment varied markedly across countries, with the strongest educational gradients seen in the Latin American cluster. Another extreme case was Poland, where 38% of children with low-educated parents are poor, compared with just over 1% among their counterparts with highly-educated parents.

In Gornick and Jäntti (2011), we also considered the role played by parents' labor market status combined with family structure and gender.¹⁶ We first considered four types of two-parent households: both parents have low labor market status; the mother's status is medium/high and the father's is low; the father's is medium/high and the mother's is low; and they both have medium/high labor market status (see Gornick & Jäntti, 2011, Table 6). As with educational attainment, the results clearly showed that parents' labor market status is highly correlated (within countries) with the risk of child poverty. In all 20 study countries, poverty rates – based on both market- and disposable income – fall systematically as we move across the

¹⁵ The results reported here indicate that the likelihood that children in any given family type are poor varies widely across our study countries. This variation in group-specific poverty rates is compounded by variation across countries in the prevalence of these various family types. The percentage of children, for example, who live with single mothers ranges from 7 to 10% in Luxembourg, Poland, Switzerland, Netherlands, Australia and Austria; to 11 to 15% in Brazil, Finland, Colombia, Guatemala, Canada, Norway, and Denmark; and 16 to 22% in Germany, the US, Sweden, Ireland, Estonia, and the UK. Across these countries, variation in the probability of living with a single father is much less; it never exceeds 4% of children. Furthermore, one family type was excluded from Table 3 – children living in households headed by adults other than their parents. That category includes 0–3% of children in 11 countries, and 4–7% in five more. However, the share of children living in these “other families” is higher in some countries. That share is 10% in Estonia and the US, and as high as 17% in Guatemala and Brazil, and 25% in Colombia. In Latin America, especially, these higher rates are due to the fact that substantial numbers of children – children with both single and partnered parents – live in households headed by their grandparents. The economic status of these extended families calls for further research.

¹⁶ For that analysis, we constructed a measure of labor market attachment, categorizing parents as having either low or medium/high labor market status. We coded persons as having low labor market status if their earnings, from both wages and self-employment, are in the lowest fifth of the earnings distribution, including those with no earnings; women's and men's distributions are constructed separately. Persons not in the bottom fifth were coded as having medium/high labor market status.

subgroups (both low, father low/mother medium/high, father medium/high, mother low, both medium/high). Market-income poverty is most prevalent when both parents have low labor market engagement. Everywhere, the child poverty rate in these households is nearly 70% or higher, with the highest poverty rate – somewhat surprisingly – seen in Sweden, where it is 98%. On the other end of the spectrum, when both parents have medium/high labor market status, poverty rates are dramatically lower – in fact, less than 2% in all countries, except in the three Latin American exemplars where the rates are 4–9%. In between, we see a strong pattern in which gender clearly matters. Among children who have only one of their parents strongly attached to the labor market, those for whom that parent is their father are better off everywhere – and usually by a substantial margin.

In two-parent families, overall, the results with respect to disposable-income poverty were similar: in all countries, disposable-income poverty rates varied systematically across these subgroups. In all countries, post-tax-and-transfer poverty is most widespread when both parents have low labor market attachment – although the cross-national variation is substantial. Poverty rates in these families ranged from a low of 24% in the Nordic countries, to 49% in the Continental countries, to 60% in the Anglophone countries, to 65% in the Eastern European cluster, and to a high of 82% in the Latin American group. At the other extreme, when both parents have medium/high labor market engagement, poverty rates are sharply lower – again, less than 2% or lower everywhere, except in the three Latin American countries where the rates are 4–8%. In between, we saw again that gender matters. Among children with one parent strongly attached to paid work, those for whom that parent is their father are much less likely to be poor.

In Gornick and Jäntti (2011), we also considered the association, among the children of single parents, between child poverty, parents' labor market attachment, and parents' gender (see Gornick & Jäntti, 2011, Table 7). We assessed households headed by four subgroups: a single mother with low labor market status; a single father with the same low status; a single mother with medium/high labor market status; and a single father with medium/high status. Nearly everywhere, poverty rates among single parents – based on both market- and disposable income – fall systematically across these subgroups; that pattern indicates that (not surprisingly) both labor market attachment and gender matter. (The only exception to this pattern is that, in the three Latin American countries, where the children of single fathers with weak labor market attachment are poorer than their counterparts whose single parents are female.)¹⁷ When we considered market-income poverty, households headed by single mothers with low labor market status are almost all poor – poverty rates are 80% or higher in all countries and 95% or higher in 13 countries. Likewise, among single fathers with low labor market engagement (in the 11 countries where we have sufficient sample sizes), market-income poverty is modestly less prevalent but still widespread. In the third subgroup (children whose single mothers have medium/high status), market-income poverty ranges from 18% in Denmark to 68% in Ireland; the Anglophone group stood out with high poverty rates (55% on average). Among single-parent households, market-income poverty is lowest everywhere in those households headed by single fathers with medium/high labor market attachment. In most cases, it falls below 10% – with Brazil (27%) a marked exception.

¹⁷ In the Latin American countries, we know that comparatively high percentages of children live in households headed by adults other than their parents, most often their grandparents. Some of these families contain children, the children's single mothers, and their mothers' parents; these children, throughout our study, would not be counted among the children of single mothers. We suspect that, in Latin America, the poorest single mothers live in these extended families, such that single mothers who head their own households are a more select group. That may explain this pattern in which, among those with weak employment, the children of single mothers are less poor than their counterparts with single fathers.

Finally, in these single-parent families, the results with respect to disposable-income poverty were again similar: disposable-income poverty rates fall systematically as we moved across the subgroups (single mother, low; single father, low; single mother, medium/high; single father, medium/high). The only exception was, again, in the Latin American cases where weakly employed single father are poorer than their female counterparts. Perhaps the most salient finding was the consistently large difference in the risk of being poor – even after taxes and transfers – when we compared single mothers with low labor market engagement to single mothers with high labor market status. In most countries, children in households headed by a single mother with low employment attachment are two to five times more likely to be poor than are children in households headed by a single mother with stronger ties to paid work. It is noteworthy that this differential is greatest in the Nordic countries; where there is a longstanding expectation of female employment. In Finland, children in households headed by a single mother with low employment status are about 16 times more likely to be poor than are their counterparts whose single mothers have stronger labor market engagement (35.3% compared to 2.3%). Across all of these countries – before as well as after taxes and transfers – in single-mother households, employment matters, and it matters a great deal.

4.2. Multivariate results – an exercise of counterfactuals

In our final empirical analysis, we carry out an exercise of counterfactuals. Here, we assess the extent to which variation in child poverty rates across countries is explained by children's family characteristics and/or by the effects of (or returns to) those characteristics. In each country, the estimated returns capture the association between specific characteristics and income received by the household, including both market income and transfers. In our analysis of returns, we do not disaggregate income sources – but, instead, we conceptualize these returns as capturing a variety of country-specific institutions taken as a whole.

To carry out this analysis, we estimate a multivariate regression model to construct counterfactual poverty rates. We first estimate, for each country, a quantile regression model for all percentiles from 1 to 99, using as covariates parental education, parental age, family structure (as defined in Table 3), household size and the number of children in the household.¹⁸ Next, we use the fitted percentiles for each observation and calculate the average across all sample members (using sampling weights) to get a regression-adjusted distribution of disposable income. Then, in each country, a predicted relative poverty rate is approximated by the lowest percentile for which disposable income is less than one half of the median (i.e., p50 in the fitted distribution). This predicted relative poverty rate corresponds to the poverty risk for children whose characteristics place them in the middle of their countries' distribution.

In this exercise, we use the US as the reference case. Thus, we use the coefficient estimates for each country to predict into the US data what the distribution of income would be with each of the other countries' coefficient estimates (“returns” to the characteristics) but with the US distribution of parental and family characteristics. In a final step, we use the US coefficient estimates to predict what the distribution of disposable income would be in each of the other countries, using those countries' characteristics.

We report the results of this analysis in Table 4. This table should be read as follows. If “average” Austrian children remained in the families with whom they now live (i.e., retaining those characteristics), but their families now experienced “US returns” to those

¹⁸ An anonymous referee suggested that we further include, among the covariates, the number of earners and a measure of ethnic or racial minority. However, some LIS datasets included in this study do not provide the number of earners and there is no way of consistently defining minority status, so we did not include these.

Table 4
Counterfactual relative poverty rates — actual rates, counterfactual rates, differences.

	Actual child poverty rate (50% DPI)	Country coefficients, US Xs	Counter-factual minus actual	US coefficients, country Xs	Counter-factual minus actual
<i>Anglophone</i>					
Australia	–	–	–	–	–
Canada	16.8	15.8	–1.0	17.8	1.0
Ireland	15.8	15.8	0.0	12.8	–3.0
United Kingdom	14.0	14.0	0.0	12.0	–2.0
United States	21.3	21.3	0.0	21.3	0.0
Average	17.0	16.8	–0.2	16.0	–1.0
<i>Continental European</i>					
Austria	7.0	8.0	1.0	12.0	5.0
Germany	10.7	11.7	1.0	16.7	6.0
Luxembourg	13.3	14.3	1.0	21.3	8.0
Netherlands	9.1	8.1	–1.0	13.1	4.0
Switzerland	9.2	10.2	1.0	33.2	24.0
Average	9.9	10.5	0.6	19.3	9.4
<i>Eastern European</i>					
Czech Republic	10.3	9.3	–1.0	10.3	0.0
Estonia	15.5	14.5	–1.0	17.5	2.0
Poland	17.3	16.3	–1.0	17.3	0.0
Average	14.4	13.4	–1.0	15.0	0.7
<i>Latin American</i>					
Brazil	31.5	29.5	–2.0	31.5	0.0
Colombia	27.5	25.5	–2.0	26.5	–1.0
Guatemala	30.4	27.4	–3.0	31.4	1.0
Average	29.8	27.4	–2.3	29.8	0.0
<i>Nordic European</i>					
Denmark	3.9	6.9	3.0	16.9	13.0
Finland	3.9	2.9	–1.0	8.9	5.0
Norway	5.3	6.3	1.0	4.3	–1.0
Sweden	4.7	2.7	–2.0	14.7	10.0
Average	10.6	4.7	0.3	11.2	6.8

Australia could not be included due to incomparable data on educational attainment.

characteristics, their poverty rates would increase by 5 percentage points, from 7 to 12%, relative to the baseline of living with their Austrian parents and enjoying Austrian returns. If these “average” Austrian children, instead, were somehow transported into families with US characteristics, but retained “Austrian returns” to those characteristics, their poverty rates would increase by substantially less – by only one percentage point, to 8%. Likewise, if “average” German children suddenly inherited American children’s “returns”, but retained their German characteristics, their poverty rates would rise by 6 percentage points. If instead they inherited American children’s characteristics, their poverty rates would rise by only one percentage point. Finally, if “average” Guatemalan children inherited American children’s returns, but retained their Guatemalan characteristics, their poverty rates would increase by one percentage point. If instead they inherited American children’s characteristics, their poverty rates would decrease, and by three percentage points.

Here, we see two key findings.

First, when assessing cross-country differences in poverty rates, using the US as the main comparator, “demography matters” in some cases, but demographic factors, as captured here, shift poverty rates by only one or two percentage points; the differences in Denmark and Guatemala are slightly higher at three percentage points. In contrast, returns – which capture differences in country-specific institutions – matter more than characteristics in most cases, although the Eastern European and Latin American clusters are exceptions to that pattern. Thus a main insight from the results in Table 4 is that, in most of our study countries, cross-country differences in child poverty are due more to differences in how various characteristics are rewarded than to population structure.

Second, the effect of imposing US institutions, as captured in returns, tends to vary across country clusters. Imposing US returns

increases relative child poverty in most Continental and Nordic countries. Specifically, US returns would raise expected poverty in Austria (+5), Germany (+6), Luxembourg (+8), the Netherlands (+4) and a remarkable 24 percentage points in Switzerland. Increases in the Nordic countries would also be substantial: Denmark (+13), Finland (+5) and Sweden (+10). In contrast, imposing US returns decreases relative child poverty in two Anglophone countries, Ireland (–3) and the UK (–2). In the Latin American and Eastern European countries, poverty is changed little by imposing US returns; see the results in Brazil (0), Colombia (–1), and Guatemala (+1), and in the Czech Republic (0), Estonia (+2) and Poland (0). The effect is also negligible in Canada (+1) and Norway (–1). We interpret these results to mean that American institutions – related to labor market rewards and government supports (conditional on characteristics) – are less likely to protect children from poverty than are institutions in several of the other upper-income countries included in this study, most especially those in the Continental and Nordic clusters. At the same time, US institutions are about equally effective at preventing child poverty as those operating in the remaining countries, and apparently slightly more so in a few cases (Ireland, the UK, Colombia and Norway).

5. Discussion

For more than two decades, diverse researchers have drawn on the resources of LIS to study poverty among children. In this brief conclusion, we revisit the rich analytical literature produced by dozens of scholars, and our own contemporary snapshot of child poverty in 20 countries, to draw some general conclusions.

First, it is clear that child poverty rates vary markedly across the mostly high-income countries included in the LIS data archive. The

variation in child poverty takes many forms; it is evident with both market- and disposable-income poverty, vis-à-vis both relative and real-income thresholds, and within nearly every demographic and labor market status subgroup. As we learned from Table 2, considering post-tax-and-transfer income, fewer than 6 percent of children in Denmark, Finland, Norway and Sweden live in poor households. In comparison, 7–9% of children are poor in Austria, the Netherlands and Switzerland; 10–15% in the Czech Republic, Germany, Australia, Luxembourg, and the UK; 16–20% in Estonia, Ireland, Canada and Poland; 21% in the US, and fully 30–32% in Guatemala and Brazil.

Second, child poverty rates shift over time, and in complex ways. Our review of the LIS Key Figures – aggregate indicators made available on the LIS website – highlights diverse patterns of change during the 1990s (results not shown). These figures reveal an overall worsening of the economic wellbeing of children during the 1990s. In most of the LIS countries, child poverty rates increased during the 1990s – in some cases, by a small increment, in others by a substantial amount – although in some countries (including the US) the prevalence of child poverty declined in recent years. Chen and Corak (2008), in their comprehensive review of children's poverty trends during the 1990s, also found a varied picture with both rising and falling levels of poverty. Of course, findings about trends are highly sensitive to the time period chosen. Rainwater and Smeeding (2003), for example, considered a longer period of time and concluded that child poverty in the US had, in general, risen in recent decades – a result clearly confirmed in the LIS Key Figures. Using the 50% standard, the Key Figures reveal that US child poverty rose from 19% in 1974, to 20% in 1979, to 25% in 1986, and 26% in 1991 – before the period of decline seen in the 1990s.

Third, within countries, family demography and parents' labor market engagement matter enormously with respect to children's likelihood of living in a poor household. Our own empirical work demonstrates, for example, that, in nearly all of our study countries, younger children are more at risk than older children; children who live with single parents are more likely to be poor than are children who live with two parents; and children who live with less educated parents are more likely to be poor than are their peers whose parents are more highly educated. Furthermore, among both one- and two-parent families, the risk of child poverty (before and after taxes and transfers) nearly always falls as parents' labor market attachment rises. And, not surprisingly, parents' gender matters too. The children of single mothers are nearly everywhere more likely to be poor than are the children of single fathers; among children with one of their two parents strongly attached to the labor market, those for whom that parent is their father are usually less likely to be poor.

Fourth, as many LIS studies have demonstrated, taxes and transfers powerfully shape the economic wellbeing of children in all countries. Our own results indicate that taxes and transfers reduce child poverty everywhere, although the amount of poverty reduction varies sharply across countries. Using the 50-percent relative poverty standard – and relying on the simple difference between market-income and disposable-income poverty rates – we see that the Nordic countries report the most poverty reduction, followed by the Eastern European and Anglophone countries, followed by the Continental, and Latin American clusters. Our results turned up especially little reduction of child poverty in the US case (about 6 percentage points) and in the Netherlands, Switzerland, and Colombia (3–5 percentage points). Of course, as we noted earlier, this indicator captures only the mechanical relationship between pre- and post-tax-and-transfer poverty rates. It does not account for the ways in which these public programs shape the market-based outcomes; nonetheless, it is an illuminating indicator of the reach of public policy and clearly demonstrates that policy responses to poverty vary markedly across these upper-income countries.

Fifth, several studies have concluded that the explanatory factors that matter within countries are not necessarily the same as those

that matter across countries. In short, because demographic composition across the LIS countries varies relatively modestly, and because demography changes slowly, several studies – including the three that we reviewed in detail in this chapter – find that demography is not an especially powerful factor for explaining variation in child poverty rates, or trends, across the LIS countries. Instead, the most important explanatory factors are institutional, and they concern both labor market structures (and outcomes) and policy configurations. Bradbury and Jäntti (1999) concluded that, while variation in welfare state institutions is important when accounting for the diversity of children's poverty outcomes across countries, variation in the market incomes received by their families is a more powerful explanatory factor. Rainwater and Smeeding (2003) largely concur, concluding that, at the bottom of the household income distribution, both earnings received and transfer income are important factors underlying cross-national child poverty variation. Chen and Corak (2008) also found that, in explaining cross-national variation in child poverty trends, demographic variation matters modestly, while national labor market patterns and social policy factors both matter a great deal – and they matter via complex and interacting mechanisms. Our multivariate results support this conclusion.

Sixth, over-arching institutional models – as captured in the country clusters that we employ in this chapter – also seem to matter. Presenting poverty outcomes by country clusters is an admittedly crude way of assessing the role of institutions; it is an approach that aggregates a large number of national features into a single institutional designation. However, as our own results indicate, the clusters do correspond to child poverty outcomes – in a number of ways. Relative child poverty rates based on market income, for example, are highest in the Latin American countries (37%), followed by the Anglophone and Eastern European clusters (at 28–29%), and the Continental and Nordic countries (18–18%). In contrast, disposable-income child poverty is systematically lower in the Nordic countries (4% on average), compared to the other clusters, reflecting the pattern of extensive income redistribution (among households with children) that characterizes the Nordic countries.

Furthermore, these welfare state models, and the country clusters that correspond to them, are correlated with more than patterns of income taxing and transferring; they are also associated with patterns of female (especially maternal) employment. While a full assessment of mothers' employment is outside the scope of this chapter, cross-country variation in employment outcomes also shapes the child poverty results that we have reported. For example, when we consider the prevalence of various combinations of two-parent employment statuses, we find that the subgroup “both parents medium/highly engaged” is most prevalent in the Nordic countries (results not shown). In the four Nordic countries, on average, 68% of children (in two-parent families) have two parents with medium/high labor market attachment. That prevalence is substantially lower in the other country clusters. In the Latin American cluster, only 34% of these children have two parents with medium/high labor market attachment. The Nordic institutional design is both strongly redistributive and most highly associated with structural features that encourage and enable maternal employment; both elements shape the prevalence of child poverty.

LIS will remain a rich resource in the years to come, allowing researchers in many countries to track families' economic wellbeing across countries, through economic upturns and downturns. Future studies of the recent recession, which affected nearly all industrialized countries – and the diverse government responses to it – promise to shed light on how the interaction between labor market characteristics and public policies either protect or fail to protect children from shocks to the market system. After LIS adds more middle-income countries to its data archive, a process that is now underway, researchers will be able to study child poverty in a much more globalized context. The integration of microdata from an increasingly diverse set of countries will

enable researchers, across disciplines, to tackle entirely new questions about the determinants and nature of child poverty.

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¹⁹ For readers' ease, in this paper we cite the Working Paper versions of these studies. Several of these LIS Working Papers have been subsequently published; the publication information appears on-line.