MEDIA SUMMARY

Launch of the
Innocenti Report Card no. 6
EMBARGO: 10:00 GMT, 1 March 2005

The Innocenti Report Card *Child Poverty in Rich Nations 2005* calls attention to the fact that the proportion of children living in poverty has risen in a majority of the world's developed economies since early 1990s. This report asks what is driving poverty rates upwards and why some OECD countries are doing a much better job than others in protecting children at risk.

Child Poverty in Rich Countries 2005
Summary

UNICEF publishes today a new report on child poverty in rich countries and finds that the proportion of children living in poverty has risen in 17 out of 24 OECD member states since the early 1990s. No matter which of the commonly-used measures is applied, the rate of poverty among children has increased over the last decade.

Denmark and Finland show the lowest child poverty rates, of less than 3 per cent. In contrast, the United States and Mexico have child poverty rates of more than 20 per cent. The figures refer to relative poverty, defined as having an income below 50 per cent of the national median. It suggests that between 40 to 50 million children may be growing up in poverty in some of the world's wealthiest countries.

And although it is widely assumed that child poverty in rich countries is on a steady downward track, the report finds that in only four countries (Australia, Norway, the United Kingdom and the United States) has there been a significant decrease since the early 1990s. Among these the UK has significantly reduced its exceptionally high child poverty rate but Norway is the only country where child poverty can be described as "very low and continuing to fall".

Drawing on original research co-funded by the UK based Nuffield Foundation, the report from the UNICEF Innocenti Research Centre compares data from different countries and asks what is driving child poverty rates upwards, and why some OECD countries are doing a much better job than others in protecting children at risk.

Three forces – social trends, labour market conditions and government policies – are the key determinants of child poverty rates. An examination of the data available for 13 OECD countries reveals that more mothers have a university degree. There has also been a rise in the proportion of children whose mothers are in paid employment – up in 10 of the 13 countries and by around 10

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percentage points or more in 4 countries. Both of these changes would tend to increase the economic resources available to children. But set against this the findings reveal a decline in earnings for fathers at the bottom end of the income scale in 7 of the 13 countries for which data are available.

The report emphasises the capacity of governments to reduce child poverty rates and demonstrates that higher government spending on family and social benefits is clearly associated with lower child poverty rates. On average, government interventions are found to reduce by 40 per cent the rates of child poverty that would be expected to result from market forces alone. Governments in the countries with the world's lowest levels of child poverty reduce "market poverty" by 80 per cent or more. Governments in the countries with the rich world's highest poverty rates reduce market poverty by only 10 to 15 per cent.

But there is considerable variation in poverty rates – from 3 per cent to 15 per cent – even in countries with broadly similar levels of social transfers. Government policy – in particular, the extent to which children are afforded priority in the allocation of these resources, rather than the overall levels – appears to account for most of the variation in child poverty among OECD countries. Many countries appear to have the potential to reduce child poverty below 10 per cent without a significant increase in overall spending.

The report further explores the allocation of resources for children by disaggregating social spending into different categories for the 28 OECD countries with available data. More than half of those countries increased the percentage of GDP devoted to social expenditures over the decade of the 1990s. However, when these increases are broken down by category it becomes clear that most of the extra spending has been allocated to pensions and to health care. In many countries overall social spending for children and families actually declined between 1990 and 2000.

The report notes that children benefit from other kinds of government expenditures besides those that can be identified as specifically child- and family-related, and also offers estimates of the effects of income tax allowances and tax credits by which some governments seek to benefit low-income families. The report offers a series of country-by-country portraits of the priority accorded to children as revealed in the structure of government taxes and transfers. In Denmark, Sweden, Finland and Belgium child poverty rates are below 10 per cent and at least 10 per cent of GDP is allocated to social spending associated with reducing child poverty. In these countries the proportion of benefits is highest for low income pre-school children and falls away by the age of 18. In contrast, Greece, Ireland, Italy, Portugal and Spain not only allocate low proportions of government expenditure to social transfers in general but these transfers play a lesser role in protecting low-income families. The findings for these five countries, which have high child poverty rates, show that government resources directed at those on low incomes are concentrated on people aged 50 years and over.

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The choices and trade-offs that governments must make are illustrated by the contrast between France and the United Kingdom. The French tax and benefit system is broadly based and does not favour any particular age group. The UK system favours young children – and especially children of low income families. Nonetheless, the child poverty rate in the United Kingdom is double that of France, suggesting that the challenge in the UK is not lack of governmental attention but the fact that low-income parents receive a very high proportion of their income from government and a lower proportion from paid employment. This points to a central dilemma: highly targeted social expenditures focus limited government resources on those most in need, but may lead to beneficiaries having less incentive to move from welfare to work. Benefits universally provided, though apparently more expensive, can avoid this 'poverty trap'.

The UNICEF report highlights the challenges involved in defining and measuring child poverty and emphasises that agreed definitions and measures are essential if policy targets are to be set and met. Both the 'relative' and the 'absolute' dimensions of poverty need to be considered. "A workable definition of poverty will always be related to time and place," it says. "Income-based poverty lines need to be drawn in relation to typical incomes and that they should be regularly updated."

But relative income poverty may tell us little about children's actual material standards of living. While insisting that relative income should remain a key indicator of poverty, the report points to its limitations and stresses the need for additional measures to capture other aspects of poverty. The Republic of Ireland and the United Kingdom are noted for leadership in addressing the issue by establishing a range of indicators that supplement the measure of relative income with the direct monitoring of material deprivation, including changes in health and nutrition, clothing and housing and participation in social activities. The European Union also views income poverty as one aspect of the broader problem of social exclusion which is captured by a range of national indicators. On the other hand Canada, the United States, Australia and New Zealand lag behind in defining and monitoring child poverty.

Arguing that many of the most serious problems facing today's advanced industrialized countries have their roots in child poverty, UNICEF asserts that reversing the upward trend should be a priority for the OECD nations. The report develops a set of principles to guide policy makers in defining child poverty as well as setting credible targets and timetables for its progressive reduction. For most rich countries, a realistic target would be to bring child poverty rates below 10 per cent. For the six countries that have already achieved this level, the next aim might be to emulate the Nordic countries in bringing child poverty below five per cent.

"Reducing child poverty is a measure of progress towards social cohesion, equality of opportunity, and investment in both today's children and tomorrow's world," says UNICEF.

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Note to Editors

The *Innocenti Report Card* series is produced by the UNICEF Innocenti Research Centre in Florence. This publication is the sixth in the series designed to monitor the performance of the industrialized countries in promoting the realization of the human rights of their children. It is also the first in a series of *Innocenti* reports on *Child Poverty in Rich Countries.*
Embargoed media materials in English, French, and Italian and downloadable copies of the report are available from the IRC Newsroom: http://www.unicef-irc.org/presscentre/indexNewsroom.html

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