Introduction

Mounting pressure from the financial markets prompted most industrialized countries to engage in fiscal consolidation since 2010-2011, with social transfers among the most popular targets. To analyse the effect of the economic crisis and the ensuing fiscal stimulus and/or consolidation measures on children’s living conditions across the OECD and/or the EU, this paper investigates changes in disposable incomes of low-wage lone parent families since 2008, with a particular focus on family-related benefits. It uses the model family method coupled with tax-benefit simulation techniques for the period 2008-2012. The paper also summarises significant changes to family-related benefits, some of which are too recent to have been included in the publicly available tax-benefit simulation models.

Main findings

At the start of the crisis, family-related benefits were a crucial source of income for low-wage lone parent families, who more often than not were already below the relative poverty line. In 18 out of 37 countries, family-related benefits composed the majority of the social transfers received by lone parents (with two school children) earning 20% of national average wages (“20%AW”). However, by 2012 family benefits had been particularly hard hit. Their real value declined for the lone parent households studied in 20 countries, although in nine of them, increases in housing benefits, in-work benefits or social assistance made up for it at least partially. The erosion of family-related benefits is a matter for concern because it suggests a lack of investment in children. Since low earning households with children tend to rely on family benefits as a substantial part of their income, cutting family benefits is likely to increase child poverty.

Taking all social transfers into account, lone parents earning 20%AW saw their net incomes fall in real terms in nine out of 37 countries between 2008 and 2012: Greece, Ireland, Italy, Latvia, Portugal, Republic of Korea, Slovakia, Spain, and the UK (Figure 1). Except in Greece and the UK, where average earnings decreased too, net incomes fell in spite of an increase in earnings, suggesting that social policies were increasing the risks of poverty. In Greece, net income decreased by a greater degree than earnings, plunging families deeper into income poverty. In contrast, net incomes of the illustrative household in Iceland, which was also hit hard by the economic crisis, withstood the 14% fall in earnings between 2008 and 2012. Meanwhile, in countries like Austria, the Czech Republic, France and Japan, net income growth far outstripped anaemic growth in earnings.
Figure 1  Lone parent with two children, earning 20% AW: real income growth (2008 prices) between 2008 and 2012 (%)


Results obtained from the OECD tax-benefit models, as well as any errors in their use and interpretation, are the sole responsibility of the user, not of the OECD.

Results for 2011 used for Germany.

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