

**Child Poverty in High- and Middle-Income Countries:  
Lessons from the Newly Expanded Luxembourg Income Study**

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Abstract

Submitted to IUSSP 2009 International Population Conference  
September 15, 2008

Abstract (150 words):

This paper will use data from the *Luxembourg Income Study* (LIS) to assess variation in child poverty outcomes across 16 high- and middle-income countries. Our overall aim is to analyze the interplay between parents' market income and the adjustments to that income that come from taxes and transfers. We will assess how children's risk of being poor (both absolutely and relatively) – and the intensity of their poverty -- varies by family type (i.e., single-parent, two-parent, and other families) and by features of their parents' labor market attachment. The paper will include 11 high-income countries from Europe and North America, and 5 middle-income countries in Latin America. This paper will be among the first to compare children's economic wellbeing in Europe and the United States, relative to Latin America.

## **Child Poverty in High- and Middle-Income Countries: Lessons from the Newly Expanded Luxembourg Income Study**

### Description of Proposed Paper

This paper will assess variation in child poverty outcomes across 16 high- and middle-income countries. Our overall aim is to analyze the interplay between parents' market income and the adjustments to that income that come from government taxes and transfers.

Within an overarching cross-national framework, we will assess how children's risk of being poor (both absolutely and relatively) – and the intensity of their poverty -- varies by family type (i.e., single-parent, two-parent, and other families) and by features of their parents' labor market attachment.

Our paper will use microdata from the *Luxembourg Income Study* (LIS), a cross-national data archive and research center located in Luxembourg. LIS gathers, harmonizes, and makes available for public use, via remote access, nearly 200 datasets (based on household surveys) from over 30 countries.

Historically, LIS has included primarily high-income countries (mostly in western/northern Europe and North America) and a smaller group of middle-income countries (mainly in eastern Europe). After several years of planning, in the fall of 2008, LIS began to add a series of middle-income countries to its data archive. By 2013, LIS expects to have added 20-24 new middle-income countries – enabling comparative research in a more globalized context.

This expansion into middle-income countries began in 2008 with the addition of datasets from five Latin American countries: Brazil, Uruguay, Colombia, Guatemala, and Peru. These five new datasets will be ready for use by researchers early in 2009. Our proposed paper will be among the first -- probably the first -- to draw on these datasets to assess variation in child poverty across both high- and middle-income countries. Moreover, it will be among the first to compare children's economic wellbeing in Europe and the United States, relative to Latin America. (The authors of this paper are Director and Research Director of LIS and are overseeing the acquisition, harmonization, and quality assessment of these five datasets).

The proposed study of child poverty will include 11 high-income countries, spanning three overarching welfare state models. Five are Anglophone countries, all with so-called liberal/residual welfare states, three are Continental European countries, with more conservative, or corporatist, welfare states, and four are Nordic countries, all considered exemplars of the social-democratic model of welfare provision. These 11 countries have been selected because both pre-tax-and-transfer as well as post-tax-and-transfer income are available in all of them, enabling a full accounting of the impact of both taxes and transfers. (Some LIS datasets include no pre-tax data).

To sum up, this study will include data from the following 16 countries, corresponding to the early 2000s:

*Anglophone countries*

1. Australia high income
2. Canada high income
3. United Kingdom high income
4. United States high income

*Continental European countries*

5. Germany high income
6. Netherlands high income
7. Switzerland high income

*Nordic countries*

8. Denmark high income
9. Finland high income
10. Norway high income
11. Sweden high income

*Latin American countries*

12. Brazil upper-middle income
13. Uruguay upper-middle income
14. Colombia lower-middle income
15. Guatemala lower-middle income
16. Peru lower-middle income

Because these 16 countries vary markedly by aggregate income level, we will assess the risk of child poverty – i.e., the probability that a child lives in a poor household – using both absolute (real income) poverty measures (e.g., with the US poverty line as an anchor) as well as relative poverty measures (e.g., based on 50% of national median household income as the threshold). Furthermore, because head-count poverty measures obscure the depth of poverty, we will also include poverty measures that capture the intensity of poverty.

In the first, descriptive, section of the paper, we will compare poverty risks among children below age six (in many countries, the group most likely to be poor) with those of other children. We will further assess the role that family type – especially parents' partnership status – plays in raising or lowering the likelihood and intensity of children's poverty. Finally, we will focus on the interplay between parents' employment patterns and the effects of both taxes and transfers on their families' disposable income.

A second section of the paper will use multivariate methods to compare the predicted probability and intensity of child poverty across countries, with a focus on six "ideal typic" children:

- A. children of a single parent with weak labor market attachment
- B. children of a single parent with strong labor market attachment
- C. children of two parents, both have weak labor market attachment
- D. children of two parents, one has weak labor market attachment, one has strong attachment
- E. children of two parents, both have strong labor market attachment

A final section will synthesize the policy implications. While the effects of state features on family formation remain highly contested, the effects of public policy on parents' labor market outcomes are well-documented. Even more so, the extent to which (and the ways in which) the state redistributes income through taxes and transfers clearly has a powerful effect on children's poverty outcomes. We will close with an assessment of which policy configurations seem most effective in encouraging and enabling remunerative parental employment and/or in shoring up family income more directly through the tax-benefit system.