

Protecting
kids: Family
policy and
child poverty
through the
Great
Recession in
liberal welfare
states

David W.
Rothwell
Annie
McEwen

Protecting kids: Family policy and child poverty through the Great Recession in liberal welfare states

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International Society for Child Indicators Conference
University of Cape Town
September 4, 2015

The importance of children

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Gordon Brown on the importance of children

“Children are 20 percent of the population but they are 100 percent of the future” . in Blair (1999)

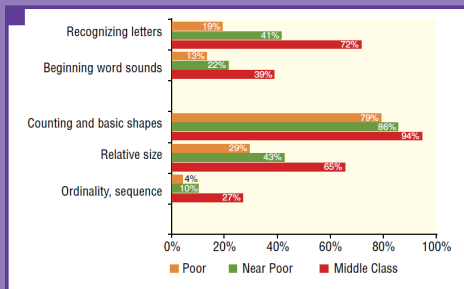
Motivation: child poverty

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- Child poverty as household poverty

FIGURE 1 Rates of kindergarten proficiencies for poor, near poor, and middle-class children



Source: Authors' calculations from the Early Childhood Longitudinal Survey—Kindergarten Cohort

Duncan and Magnuson (2011)

Research questions

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- 1 To what extent did child poverty change in the Recession for children living in different family arrangements?

Research questions

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- 1 To what extent did child poverty change in the Recession for children living in different family arrangements?
- 2 To what extent did social safety net transfers affect child poverty?

Research questions

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- 1 To what extent did child poverty change in the Recession for children living in different family arrangements?
- 2 To what extent did social safety net transfers affect child poverty?
- 3 To what extent was the impact of social safety net transfers distributed equally across children's living arrangements?

Child poverty: Background

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3 worlds of welfare capitalism (Esping-Andersen, 1990)

- 1 Anglo-American 'liberal' model
- 2 Continental European model
- 3 Scandinavian model

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Anglo-American model characterized by:

- common history in Poor Laws
- deserving v. undeserving poor
- 'residual' welfare states

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Anglo-American model characterized by:

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- deserving v. undeserving poor
- 'residual' welfare states

Demographics moves slowly and has limited influence; policy matters (Corak and Chen 2008; Gornick and Jantii 2012)

Family living arrangements

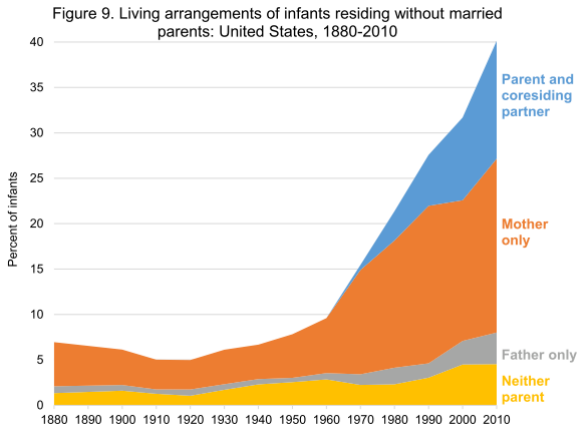
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- Number of earners: couples v. singles
- Marriage vs. cohabitation
- Gender

Family living arrangements

- Substantial changes over time, Ruggles (2014)



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Child poverty: Method

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Luxembourg Income Study (LIS)
Harmonized micro-data
50 countries
approx 300 datasets

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Table: LIS waves VII, VIII

Country	Pop.	Child pop.	Years
Australia	22.3M	5.0M	2008, 2010
Canada	34M	5.6M	2007, 2010
Ireland	4.6M	1.0M	2007, 2010
United Kingdom	63.2M	11.1M	2007, 2010
United States	309.3M	71M	2007, 2010

approx. 97 million children per wave

Components of household income

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Table: US data 2010 - CPS

Income component	Mean
Labor	56778
Capital	2831
Market income	59609
Transfers	
Other	
Subtotal	
Taxes (-)	
Disposable income	

Components of household income

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Table: US data 2010 - CPS

Income component	Mean
Labor	56778
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Transfers	11380
Other	43
Subtotal	71032
Taxes (-)	
Disposable income	

Components of household income

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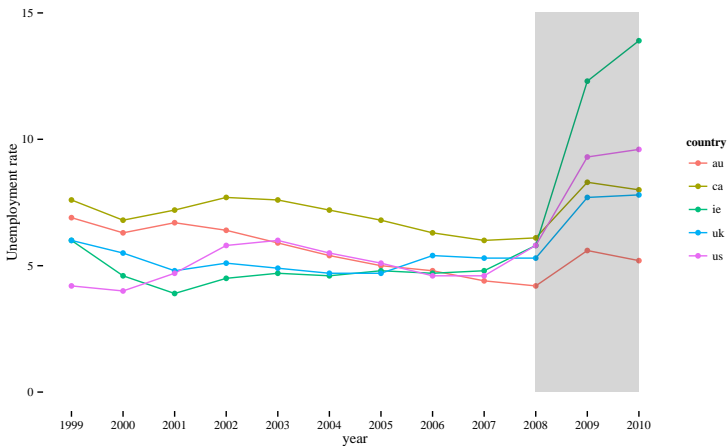
Table: US data 2010 - CPS

Income component	Mean
Labor	56778
Capital	2831
Market income	59609
Transfers	11380
Other	43
Subtotal	71032
Taxes (-)	13925
Disposable income	\$57,107

The Great Recession

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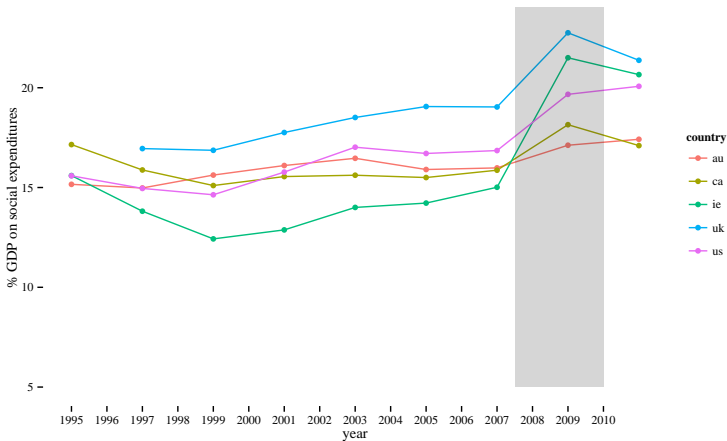


source (OECD)

Social policy and the Recession

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source (OECD)

Method: child poverty measurement - relative

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Steps

- 1 Equivalize disposable household income = $\sqrt{\text{householdsize}}$
- 2 Calculate median
- 3 Estimate 50% of median = poverty threshold
- 4 Apply child weight = [number of children <17 * weight]
- 5 'anchor' the threshold in 2007 (Smeeding, 2014)

Child poverty and overall poverty

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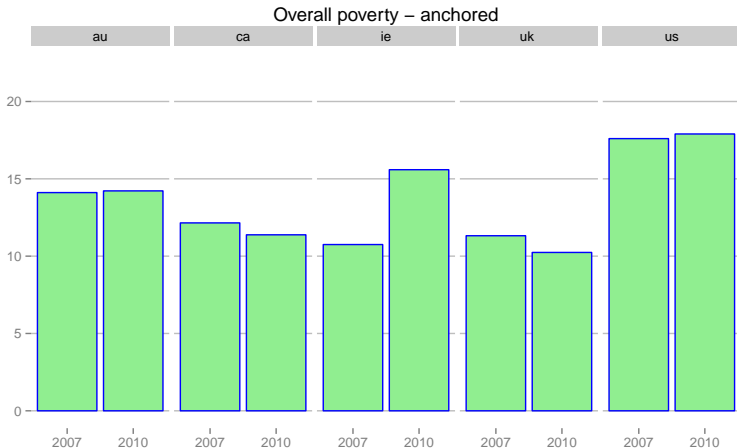
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- How did overall poverty rates compare to child poverty rates?

Overall poverty rates

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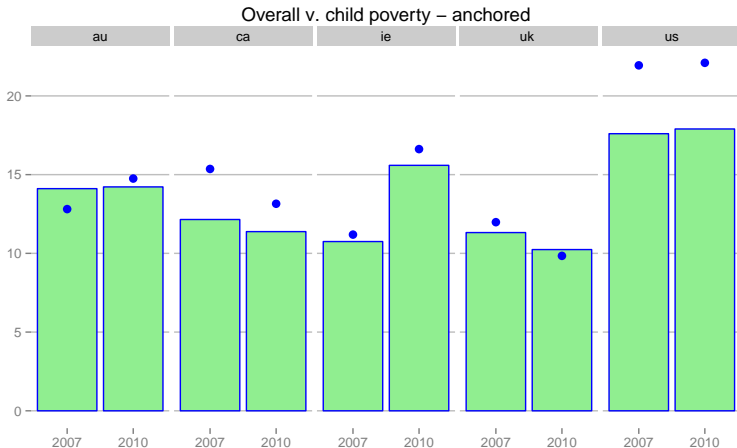
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Overall v. child poverty rates

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How did child poverty vary by family types?

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- 1 Pre and post transfer poverty (market and disposable income)
- 2 3 largest family types: married, cohabitating, single p.f.

Summary changes 2007 - 2010

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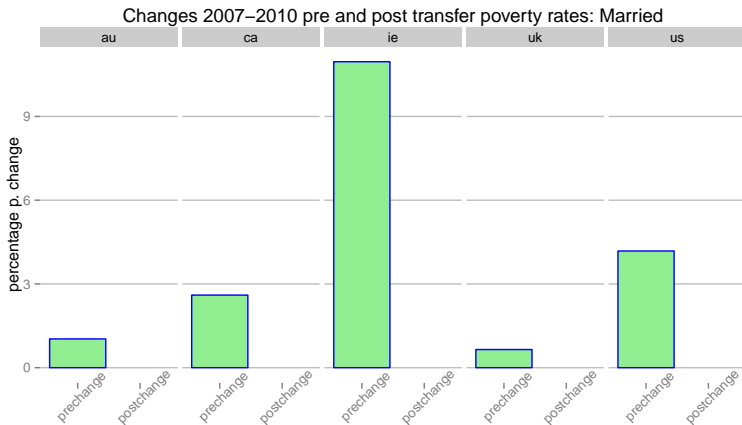
Table: Post transfer child poverty rates

Country	Child overall	Married	Cohabit	Single f.
AU	+		NA	
CA	-			
IE	+			
UK	-			
US	+			

Children in married families

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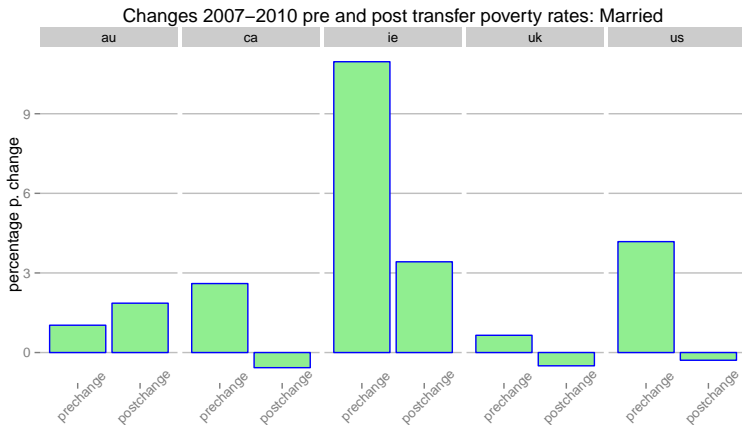
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Children in married families

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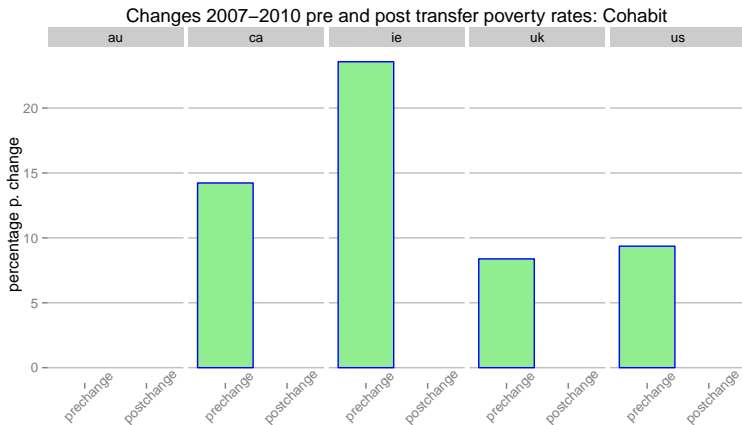
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Children in cohabitating families

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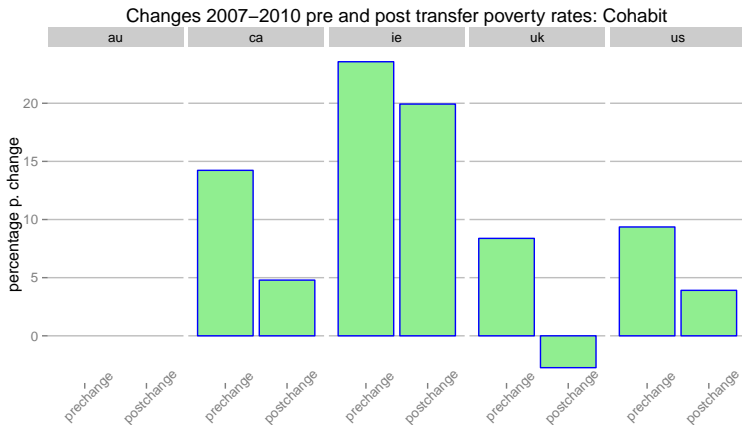
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Children in cohabitating families

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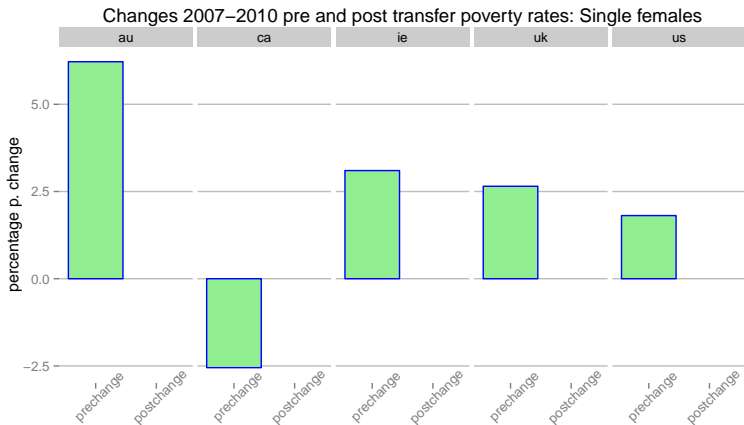
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Children in single parent female families

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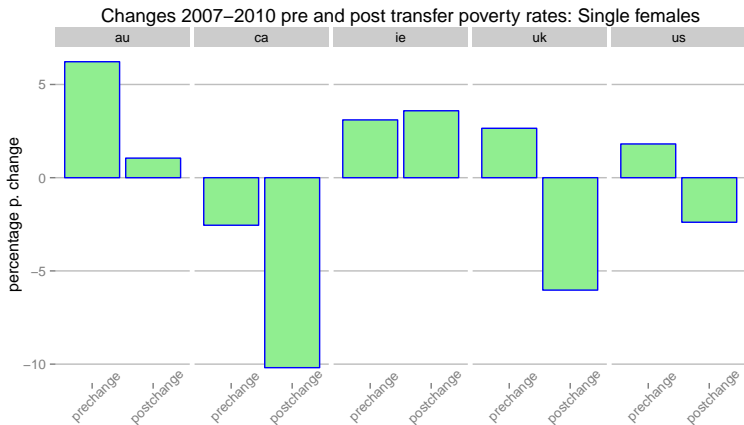
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Summary of variation across family types

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- All saw increased pre-transfer poverty (exception Canada single parent f.(-2.5))
- Considerable variation across countries with increase: UK married (0.65) ; Ireland cohabit (23.6)

Summary changes 2007 - 2010

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Table: Post transfer child poverty rates

Country	Child overall	Married	Cohabit	Single f.
AU	+	+	NA	+
CA	-	-	+	-
IE	+	+	+	+
UK	-	-	-	-
US	+	-	+	-

Counterfactual exercise

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- In counterfactual terms: What would the poverty rate have been in $time_2$ (2010) assuming $x_1...x_t$ components changed?

Counterfactual exercise

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- In counterfactual terms: What would the poverty rate have been in $time_2$ (2010) assuming $x_1...x_t$ components changed?
- Disposable household
 $income = labor + capital + transfers + other - taxes$
- Replace one component at a time
- Average across all possible paths (Azevedo, J. P., Sanfelice, V., & Nguyen, V. (2012))

Counterfactual exercise

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Table: Decompositions income source 2007-2010

Income source	ca 07-10	uk 07-10	us 07-10
Labor	-2.68	-0.18	3.96
Capital	0.43	0.64	0.36
Transfers			
Other			
Taxes			
Pov rate change	-2.31	-2.13	0.28

Counterfactual exercise

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Table: Decompositions income source 2007-2010

Income source	ca 07-10	uk 07-10	us 07-10
Labor	-2.68	-0.18	3.96
Capital	0.43	0.64	0.36
Transfers	-1.76	-4.21	-4.17
Other			
Taxes			
Pov rate change	-2.31	-2.13	0.28

Counterfactual exercise

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Income source	ca 07-10	uk 07-10	us 07-10
Labor	-2.68	-0.18	3.96
Capital	0.43	0.64	0.36
Transfers	-1.76	-4.21	-4.17
Other	.58	0.63	0.31
Taxes	1.13	0.98	-0.18
Pov rate change	-2.30	-2.13	0.28

Key results from counterfactual by family type

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- labor increased child poverty the most for cohabitating families in Ireland (25.37); least was Canada single males (-8.2)

Key results from counterfactual by family type

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- labor increased child poverty the most for cohabitating families in Ireland (25.37); least was Canada single males (-8.2)
- transfers reduced child poverty the most for single female families in UK (-13.25)

Key findings

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- Variation across (a) countries and (b) within countries across family types

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Key findings

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- Variation across (a) countries and (b) within countries across family types
- Smallest changes for married; cohabitating at risk and not reached by social policy

Key findings

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- Variation across (a) countries and (b) within countries across family types
- Smallest changes for married; cohabitating at risk and not reached by social policy
- Explaining changes
 - Reduction in Canada due to labor income, smaller impact of transfers
 - Reduction in UK due to social policy
 - Social policy in the US offset otherwise large increases in poverty

Limitations

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- Need 2013 data to fully understand Recession impact and recovery
- Counterfactual methods are not a 'market equilibrium' model
- Need to measure family complexity

Thank you

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References

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Misc. Notes

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Table: Distribution of children by family type 2010

Country	Married	Cohabit	Single f.
AU	81	NA	13
CA	69	15	10
IE	69	10	14
UK	62	15	17
US	68	7	14

Cohabiting: head living with partner (not married)

Misc. Notes

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“‘Poverty’ is an inherently vague concept, and developing a poverty measure requires a number of relatively arbitrary assumptions.” Rebecca Blank (2008)

Method: US transer income

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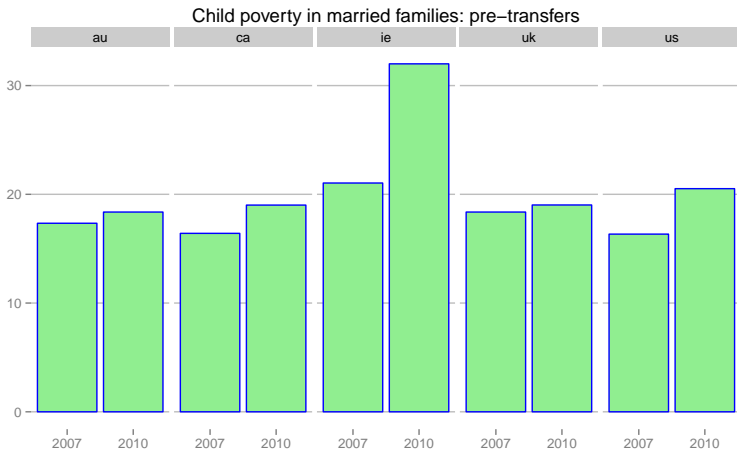
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- ① Employment-based transfers; e.g., occupational pensions, work and injury (hitsu)
- ② Universal benefits, not means tested (hitsi)
- ③ Targetted social assistance, e.g., TANF, EITC, Child Tax Credit, HUD vouchers, SNAP (hitsa)
- ④ Private transfers

Married

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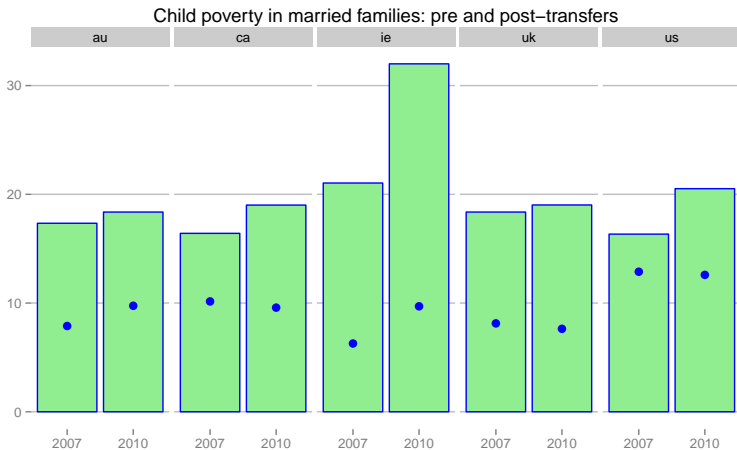
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Married

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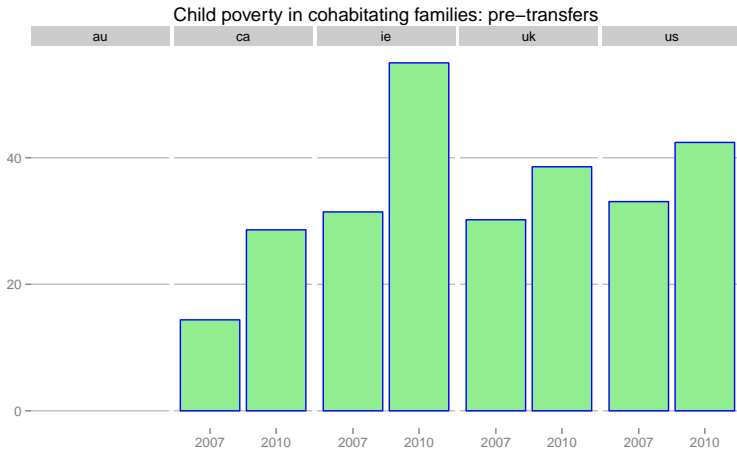
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Cohabit

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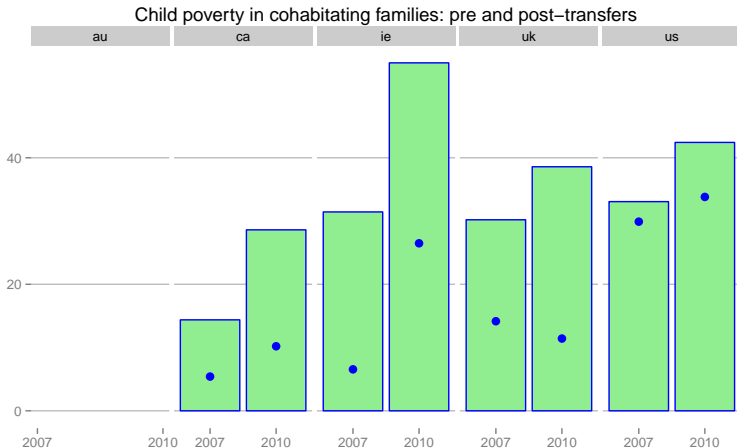
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Cohabit

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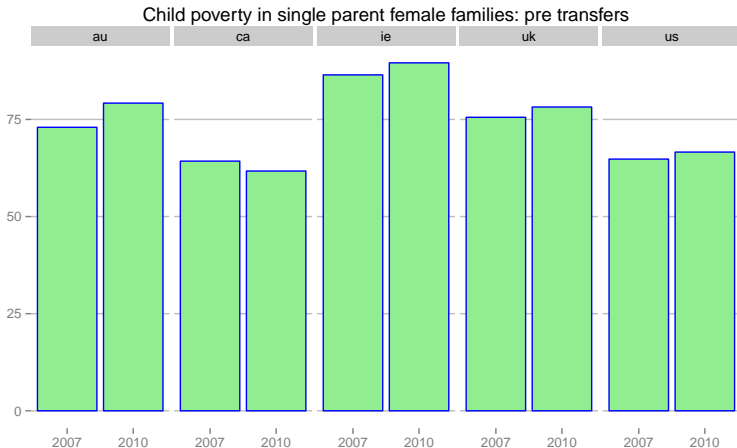
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Single parent females

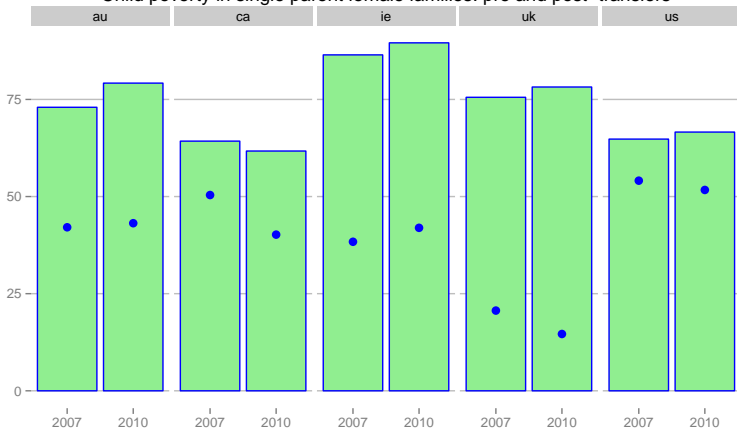
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Single parent females

Child poverty in single parent female families: pre and post-transfers



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