

Child poverty in Finland: changes, determinants and consequences in light of international experiences

Markus Jäntti^{1,2}

¹Swedish Institute for Social Research, Stockholm University ²Luxembourg Income Study

November 26, 2009

Outline

- 1 Introduction
- 2 Incidence of child poverty in Finland: levels and trends
- 3 Differences in poverty risks among children
- 4 Consequences of child poverty
- 5 Concluding remarks

Incidence of child poverty in Finland in 2007

Source: TARKI (2009); Note: EU definitions throughout

	Poverty rate
All persons	13%
All children	11%
Lone-parent children	22%

Changes in child poverty in Finland: 1995 and 2007

Source: (Valtioneuvosto, 2009; Salmi et al., 2009); Note: National definitions

	Year	
	1995	2007
All children	5 %	14 %
Lone-mother children	10 %	25 %

Differences in poverty risks among children

- risk factors
 - ▶ low parental education
 - ▶ young parents
 - ▶ weak labour force attachment
 - ▶ lone motherhood overwhelmingly important
- factors not associated with child poverty risk
 - ▶ urban/rural
 - ▶ parental ill health, foreign-born parents (these two less important in the aggregate)

The role of policy

- measuring impact of policy complicated
- parental labour force attachment plays a central role in poverty prevention
- many welfare-state institutions contribute to well-being but are unmeasured (schooling, health, various services)
- many transfer programmes directed at households with children
- but, policy between 1995 and 2004 accounts for most of the increase in the gap between the median and the low end of the distribution (Honkanen et al., 2007)

Consequences of child poverty

- low income in childhood → low income as an adult?
 - ▶ family background accounts for roughly 25 percent of the variation of income among adults in Finland
 - ▶ roughly 6-7 percent is attributable to parental income
 - ▶ only part of that is likely due to direct *causal* influences of parental income on child's adult income
 - ▶ *if* current patterns apply, increase in child poverty is probably followed by more low income incidence as today's children grow up

Consequences of child poverty

- low income in childhood → social problems in adolescence and adulthood?
 - ▶ *much* research in US, controversial area
 - ▶ direct causal evidence is not abundant
 - ▶ less research in Finland, different (and more protective?) institutions
 - ▶ on the other hand, little reason to believe increase in poverty will make later outcomes *better*

Consequences of child poverty

- little reason to expect anything good to result from increased child poverty

Concluding remarks

- the poverty risk of children in Finland internationally not very high, but rising rapidly
- children in lone-mother families particularly vulnerable
- parental labour market attachment very important
- embarrassingly little to say about the costs (current and future) of increased poverty

Honkanen, P., Jäntti, M., & Pirttilä, J. (2007). Alleviating unemployment traps in Finland: Can the efficiency-equity trade-off be avoided? Discussion Paper 24, Aboa Center for Economics. Available at: <http://www.tukkk.fi/ace/dp024.pdf>.

Salmi, M., Sauli, H., & Lammi-Taskula, J. (2009). Lapsiperheiden toimeentulo. In J. Lammi-Taskula, S. Karvonen, & S. Ahlström (Eds.), *Lapsiperheiden hyvinvointi 2009*. Helsinki: Terveystieteiden tutkimuskeskus ja hyvinvoinnin laitos.

Valtioneuvosto (2009). Hallitusohjelman toimeenpanon arviointi hallituskauden puolivälissä – hallituksen strategia-asiakirjan seuranta. Valtioneuvoston kanslian julkaisuja 14/2009. 16.3.