

Child poverty and child well-being in the European Union

**Report
for
the European Commission**

**DG Employment, Social Affairs and Equal Opportunities
Unit E.2**

Executive summary

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Executive summary

Context, issues, methods

This *Study on Child Poverty and Child Well-Being in the European Union* was commissioned to produce (i) an in-depth empirical analysis of child poverty and the related key challenges for each Member State, (ii) an assessment of the effectiveness of policies to combat child poverty and promote social inclusion among children, and identification of policy mixes that seem to be most effective in tackling the specific factors underlying child poverty and (iii) recommendations for a limited set of indicators and breakdowns that are most relevant from a child perspective and that best reflect the multidimensional nature of child poverty and well-being in the European Union.

The report, following the suggestions of the EU Task-Force on Child Poverty and Child Well-Being (here referred to as the EU-TF report) identifies material and non-material dimensions of child well-being that are relevant to monitor. The material dimensions cover factors relating to the material resources of the household that the child has access to (or lacks) during his/her life and development, including indicators of income, material deprivation, housing and the labour-market attachment of members of the household. The non-material dimensions cover both the resources a child has access to (or lacks) during his/her development and the outcomes at different stages of this development, like education, health, exposure to risk and risk behaviour, social participation and relationships, the family environment and the local environment. The focus of the report is mostly on material well-being and poverty, but in various parts of the report, a broader range of non-material aspects is also considered.

The general approach of the report is to carry out international benchmarking and country-level analysis in parallel. Much of the analysis is based on microdata from various EU-level surveys of households and individuals, in particular, the European Union Statistics on Income and Living Conditions (EU-SILC) and the European Labour Force Survey (LFS). To assess the impact of policies on child poverty rates and on the incidence of social transfers, use was made of Euromod, a unique microsimulation model that enables analysis to be carried out in a harmonised way on the effects of tax-benefit systems in most EU countries. The factors underlying child poverty in all 27 EU Member States were examined and a summary review of the policies in place undertaken. To supplement this, a more detailed and in-depth analysis was made of the situation in 11 reasonably representative countries by national experts.

The selection of a suitable and relevant set of indicators to monitor child poverty and well-being across the EU required examination of a large number of research studies and the compilation of a great deal of data, which was analysed extensively in statistical terms to assess their robustness and potential use for this purpose, following the procedures developed by the Indicator Subgroup (ISG) of the Social Protection Committee of the European Commission. The results were first discussed at an ISG meeting on 28 October and the findings and suggestions were then presented at a conference organised by the European Commission on 26 November 2009 at which various stakeholders from across the EU were present.

Main findings

The risk of poverty among children is, in general, higher than among the population as a whole in most of the Member States. While children face the highest risk of poverty in the two newest Member States (Bulgaria and Romania), the relative risk of poverty among children (as compared to the adult population) is highest in Hungary and the Czech Republic. By

contrast, the risk of poverty among children is lower than for the population as a whole in Denmark, Germany, Estonia, Cyprus, Slovenia and Finland.

The severity of poverty among children (in terms of the average income of those at risk in relation to the poverty threshold), which is generally similar to the severity for the population as a whole, is particularly high in Bulgaria, Romania and the Baltic States (also in Denmark, Greece and Italy), and is relatively low in France, Cyprus, Finland and Sweden.

In nearly all EU countries, children who live with lone parents or in large families are at greatest risk of poverty throughout the EU. On average, more than one child in 10 in the EU lives with a lone parent; which is less than for those living in large families, so while the risk of poverty of the latter is generally lower, they represent a larger proportion of all children at risk in the EU. In Belgium, Germany, Estonia, Ireland, Sweden and the UK, however, children living with a single parent account for a large proportion of the total at risk.

Following the methodology developed in the EU Task-Force report, countries have been clustered according to their performance in relation to the risk of child poverty, so as to provide a means of benchmarking policies and outcomes and relating these to three key factors: labour-market exclusion, in-work poverty and the impact of government transfers. As a result, four groups of countries were identified.

Group A consists of countries with relatively favourable child poverty outcomes. These outcomes are the result of a combination of three main factors: high labour-market participation of parents, low in-work poverty and effective income support. This group consists of the three Nordic countries, France, Cyprus, the Netherlands, Austria and Slovenia.

These countries differ in terms of how the labour supply of adult household members is combined. In Denmark, Finland, Sweden, Cyprus and Slovenia, children live mainly in households where both parents are in full-time employment (though part-time work is widespread in the Nordic countries, especially in Sweden). In the Netherlands, a large proportion of second earners are in part-time jobs. In Austria, a significant proportion of households have only one wage earner, and even more have one main wage earner plus one part-time earner.

In these countries, an extensive range of policies is in place to support families with children. The three Nordic countries, in particular, have relatively generous maternity benefits, combined with relatively high child or family benefits (to help defray the cost of having children) and wide availability of free or low-cost childcare (to enable both parents – and women in particular – to work). There is also a generous parental leave entitlement (to make it easier for women with children to take up paid employment) and active labour-market policies, which provide significant assistance and support for those who have difficulty in finding a job. In Slovenia, by contrast, income support is largely means-tested and is directed specifically at low-income families, while measures are in place to ensure that all families have access to affordable childcare, so that mothers are able to work. The general conclusion to be drawn from the experiences of these countries is that the employment of mothers, which is crucial in terms of containing the risk of poverty among children, is facilitated both by the level and design of cash benefits and by the fact that these are combined with enabling, or support, services.

The situation in Cyprus contrasts with that in most of the countries in this group (and also with the other Southern countries discussed below, in Group D). The lack of childcare provision is compensated for by informal arrangements with parents and others, enabling women with children to work; accordingly, the large majority of children have both parents in employment. As a result, the proportion of children at risk of poverty is half that in Greece (though it is questionable whether the situation will remain tenable in the long term, as older women become accustomed to being in paid employment).

Group B includes countries with large numbers of children in jobless households and a low in-work risk of poverty: Belgium and Germany, the Czech Republic, Estonia, Ireland, Hungary, Slovakia and the UK. In most of these countries, joblessness is strongly related to living with lone parents. In Belgium, Estonia, Ireland and the UK, not only is the share of children with lone parents large, but these parents are also likely to be jobless. In Hungary, joblessness is related to both persistent unemployment and low labour-market participation, mostly affecting children in large families, though this is compensated by generous income support (mostly family cash benefits).

The large number of children in jobless and low work-intensity households (i.e. no one in full-time employment) is related to a number of factors apart from household composition, such as a low level of parental education.

In Ireland and the UK, childcare arrangements are inadequate. The number of affordable childcare places is insufficient, and too few of them provide care for the whole of the working day. As a result, many women in both countries work part time because they are unable to cover the cost of the childcare they would need if they were employed full time. This is combined, moreover, with a large number of women who are lone parents and who therefore often have nobody to help them look after their children. Accordingly, many children in these two countries live in households where either no one is in employment, or, if they are, the work is only part time.

This illustrates the general point that the risk of poverty among children is strongly linked to the underlying structure of the households in which they live. In some of these countries (like Belgium, Estonia, Ireland or the UK), large numbers of single mothers are jobless and the lack of a partner makes it difficult for them to pursue a working career, especially, as is often the case, they have a low education level. The case of the Nordic countries, however, shows that, even when they are numerous, children with lone parents do not necessarily face a high risk of poverty because of the combination of a high level of employment, relatively generous income support and extensive enabling services, but also because of the different stage in their life when women become lone parents.

Child poverty outcomes in these countries are either good (Belgium and Germany) or only slightly below average (Czech Republic, Ireland, Hungary and the UK). Policies, mainly in the form of relatively generous income support, play an important role in this respect, ensuring that the severity of poverty among children at risk stays below the EU average (except in Estonia). Different types of support (largely means-tested benefits in the Czech Republic, Ireland and the UK; largely universal benefits in Germany and Hungary) produce similar results.

Group C consists of Member States with below-average performance in all dimensions: Latvia and Lithuania. Lithuania performs particularly badly in terms of the risk of poverty, mainly because of less-effective income support provided to families with children. These countries still perform better than countries in Group D. If they were included in the analysis, Bulgaria and Romania, as well as Malta, would probably be placed in this group.

Group D includes countries with a high risk of poverty – in most cases despite having at least one parent in work (i.e. relatively few children live in jobless households). This group includes all four Southern EU countries (Greece, Spain, Italy and Portugal) plus Luxembourg and Poland. Not only do these countries have a high risk of poverty among children, but they have a high severity of poverty as well. A large proportion of children live in households where one parent is in full-time employment, and these account for over 40% of all children at risk of poverty. In Portugal, fewer children than in the other countries have only one parent in full-time employment (because of the large number of mothers who work), but those that do have a particularly high risk of poverty. In Poland, the risk of poverty is high for children even with both parents in full-time employment. In Luxembourg, the risk is particularly high for children with lone parents in employment.

The level of social transfers is especially low in these countries (apart from Luxembourg).¹ At the same time, in the Southern countries there is an acute lack of childcare provision, which is becoming ever more acute as the extended family disappears and the availability of parents or grandparents to take on childcare responsibilities diminishes. In many cases, the earnings of the one parent who is working – most often the father (often in self-employment in rural areas) – are not sufficient to keep household income from falling below the poverty threshold, especially given the low level of child benefits.

Lessons for policy

From a review of policies in place in the different countries, it is evident that in nearly all Member States where the risk of child poverty is high the government has recognised the problem as being important to tackle and has introduced, or strengthened, policies to this end. In only a few, however, has a coherent package of measures been implemented. Instead, piecemeal action has typically been taken to increase selected benefits and to expand childcare provision, accompanied in some cases by action to increase incentives to work.

A key lesson to be drawn from the experience of EU countries in which the risk of poverty is low is that the employment of mothers (and their earnings from working) is critical in reducing the risk of child poverty. Policies to increase the employment of women with children are therefore equally crucial. This is generally recognised in all countries. The focus of policy is increasingly on encouraging women to work by means of activation measures and by seeking to expand childcare provision to make it possible for them to work.

Activation measures, however, including various make-work-pay schemes – designed to ensure that people are better off working than doing nothing and merely relying on social hand-outs for support – are also costly. The minimum wage has been increased in a number of countries to boost the incentive for parents to work, but there is still no guarantee that household income will not be below the poverty threshold. Although increasing wages is one way of raising the income of the low paid, it can also deter employers from creating jobs. This can lead to opposition to such a policy, especially in countries where the jobs on offer are, in any case, insufficient to provide employment to all those who want to work. For governments, therefore, there is a delicate balance between setting minimum wages low enough to avoid an excessive impact on job creation, yet high enough to avoid large numbers of ‘working poor’.

The balance in respect of child and maternity benefits is equally delicate – of setting them high enough to provide a reasonable level of support for families with children, but not so high as to represent a disincentive for parents to seek work. Another dilemma with respect to the first phase of childhood is the length of time for which maternity benefits should be provided (both from the perspective of the woman returning to the labour market and from the perspective of the development of the child).

In countries where the risk of poverty among children is relatively low, in most cases (Slovenia and Cyprus being exceptions) this is achieved by combining a relatively generous system of universal benefits with well-developed activation measures that provide both support and incentives for parents to take up paid employment. These are also countries, however, where the level of economic activity, and employment, is relatively high and where, accordingly, a large proportion of those encouraged to look for work are likely (in normal times) to find a job – though, of course, not necessarily during the current recession.

This, however, may not be enough under certain circumstances. In many of the countries where the risk of child poverty is relatively high – in particular in the EU-12 countries (apart

¹ In Luxembourg, child poverty is high in relative terms because of the exceptional structure of the working-age population, which counts a very high proportion of young, single, highly paid professionals.

from Slovenia and Cyprus), as well as in Greece and Italy – encouraging parents (women especially) to look for a job, providing support in the form of childcare and undertaking active labour-market measures will not necessarily lead to substantially higher employment rates without a parallel response in terms of increased net job creation (specifically the creation of jobs well suited to the skills of the new entrants to the labour market; given the relatively high number of women with low education levels, especially in Portugal – though also in Italy and Spain – this may in itself cause problems). This does not mean that the implementation or strengthening of family-related policies is not important – it is essential if women are to be given a fair opportunity to pursue a working career; but such policies are not a sufficient condition for increasing the employment of women and reducing the risk of poverty among children as a result.

Child well-being, however, is not just about access to an adequate level of household income. It is also about access to a reasonable standard of healthcare and to education of sufficient quality, so that children have the opportunity to realise their potential and to attain the highest qualifications they possibly can. In practice, access to healthcare is universal for virtually all children throughout the EU, though there are particular concerns about the children of Roma families in parts of Central and Eastern Europe and about children with disabilities – especially learning difficulties – in many countries.

In terms of access to education, the concern again is most acute for these children and, more generally, for children from low-income and less well-educated families, who tend to have less chance of good-quality schooling in most countries. In many cases, this disadvantage also extends to children from migrant families. Accordingly, the school drop-out rates for children from more deprived backgrounds tend to be higher than for others, and significantly fewer of them go on to complete university education. There are signs, however, of a growing appreciation of the problems such children face in a number of countries, including France, where there has been a great expansion of family support centres, and Hungary, where efforts have been made to reduce the segregation of Roma children in schools.

Access to decent housing is also of importance – not least because living in poor housing conditions tends to accentuate the problems associated with low income and material deprivation. There are particular problems in this regard in a number of countries, particularly the former Communist countries among the EU-12, where, in the initial stages of transition to a market economy, the process of privatisation left many low-income families owning poor-quality houses or apartments, many of them in urgent need of repair and renovation.

There are other factors, too, that contribute both to the present well-being of children and to their future well-being and life chances, and that are open to policy influence. These include their access to various cultural and sporting amenities, as well as their opportunities to interact with other children. Research shows that this tends to be more of a problem for children in low-income families across the EU. In many countries, such factors are largely ignored (or are given limited attention) in the policies on children, which tend to focus narrowly on the problem of poverty as such.

However, the current recession (and its likely aftermath of tight constraints on public expenditure, as attempts are made to reduce the high levels of borrowing and debt that have built up over the past year) is likely to limit the extent to which governments are willing to fund any extension of existing policies. Indeed, even maintaining the status quo could well be a challenge, as priority is given in many countries to restoring sound public sector finances.

There is also a need to devote special attention to minority groups of children whose parents were born outside the EU and whose risk of poverty is uniformly high throughout the EU. They make up a significant proportion of the children at risk in Belgium and France (close to 30% apiece) and, above all, in Sweden and Austria (over a third of the total in both). EU-27 countries – particularly in most of the Central and Eastern European new Member States – the situation of the Roma poses special challenges. Since Roma suffer cumulative

disadvantages, the design of policies requires special care, a balanced approach and long-term policy commitments. More specifically, a reduction in the risk of poverty among the Roma community requires coordinated employment, education, housing and integration policies.

Further steps in the development of indicators

In considering potential indicators, the starting-point is the set that has already been agreed in the Social OMC that are readily available, that contain an age breakdown at least for 0–17-year-olds, and that are relevant to our aims. Alongside these, the report proposes the introduction of a few new material well-being indicators (education deprivation and social care) and new breakdowns. For the non-material variables, a range of new indicators is proposed. Although the availability of indicators is very uneven across the different dimensions, some indicators can be built for each of the domains.

While there is a need to monitor different dimensions of child well-being, it is equally important that the indicators should reflect the various stages of childhood development. The combination of the dimensions and of child age groups results in a matrix, where all the elements need to be properly assessed.

A balanced and comprehensive picture can only be gained through a dedicated and separate child-indicator portfolio, with indicators reflecting all the most relevant dimensions and covering all relevant child ages. This portfolio could, as a first step, be used on an ad hoc basis by the Social Protection Committee when it reviews the situation of children in the Member States.

The report gives a detailed account of these potentially available indicators and also puts forward a number of recommendations for the improvement of data infrastructure. Validating the material indicators was possible with the use of various open access European databases. A thorough analysis of further (open-access) sources is essential for the indicator-development process. Also encouragement and support for alternative datasets can help monitoring continue for longer and be more balanced; moreover, alternative datasets can also help to validate and ensure the quality of EU-level datasets.

Despite the wealth of datasets available, some serious data gaps are evident. For example, while it is invaluable for constructing the material indicators and for standard breakdowns, EU-SILC fails to produce appropriate data to answer some non-standard questions. For instance, it is not particularly well suited to issues such as the situation facing the children of migrants or of minority ethnic groups (like the Roma, in particular), or to exploring the situation of those categories of children who do not generally show up in national/international surveys – e.g. children in institutions; victims of violence, crime and trafficking; and children affected by addiction problems. The problem of the lack of comparable data on children in institutions is particularly serious. Attempts need to be made to improve the situation, in order to obtain a more balanced and complete picture by including a group of children who are particularly vulnerable.

A very specific and vulnerable group of children in a number of Member States are those in Roma families. To investigate the situation in a comparable way and to help countries set national targets if they so wish, agreed guidelines on data collection could be approved and a comparative data collection launched. Given the inadequacies of most established surveys in terms of monitoring the situation of Roma and migrant children, this is an urgent task.

Greater reliance on panel data could also be encouraged. Though it is expensive, this is the only way to really monitor child well-being at an individual level and to fully assess the impact of policies. Non-EU-SILC-based indicators could also include administrative and register data. This should be encouraged, despite the fact that for administrative data the inclusion of details of socio-economic background is often problematic. The administrative data in question include statistics on crime and on the local neighbourhoods in which children live,

though both need to be harmonised across countries in order to be comparable. In addition, it is suggested that the revision of EU-SILC that is due should be child-sensitive. In order to proceed with this, a group of stakeholders and researchers on child poverty and well-being could be invited to participate in a special workshop to help develop a subset of questions when the new release of the 2009 data becomes available for analysis.

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