

Instituto Juan March

Centro de Estudios Avanzados en Ciencias Sociales (CEACS)

Juan March Institute

Center for Advanced Study in the Social Sciences (CEACS)

Inequality and poverty in comparative perspective

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Date 1997

Type Working Paper

Series Estudios = Working papers / Instituto Juan March de Estudios e Investigaciones,
Centro de Estudios Avanzados en Ciencias Sociales 1997/110

City: Madrid

Publisher: Centro de Estudios Avanzados en Ciencias Sociales

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INEQUALITY AND POVERTY IN COMPARATIVE PERSPECTIVE

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Estudio/ Working Paper 1997/110
December 1997

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Members of modern societies use a wide range of goods and services to effect their participation in social relations, and their sense of social identity. As a part of common cultural understandings, members assume the necessity for particular material underpinnings to their activities in carrying out the social roles which constitute participation in their communities.

Because these are highly stratified societies, the level of economic resources available to individuals and families varies greatly. People have a lively sense of what different levels imply in terms of both with whom an individual is likely to participate, and the kind of activities in social participation which are feasible.

The definition of poverty adopted by the European Community in 1984 reflects a conception of poverty grounded in an understanding of the nature of social stratification in prosperous industrial societies:

The poor shall be taken to mean persons, families, and groups of persons whose resources (material, cultural, and social) are so limited as to exclude them from the minimum acceptable way of life in the member state in which they live.

This paper summarizes several studies concerned with cross-national comparisons of income inequality and poverty in the recent past. In the first part I report inequality measures and poverty rates in 24 countries currently available in the Luxembourg Income Study (LIS) database. Income will be used as a shorthand for *equivalent disposable income*. Disposable income is total income after tax and after transfers. Equivalent income is adjusted for differences in family size and the age of the head of the household.

The conventional measure of income inequality is the Gini coefficient. Another frequently used measure is the Atkinson coefficient. (I have calculated the Atkinson coefficient with an epsilon of 0.5, which has the effect of weighting the lower end of the distribution more heavily in assessing differences in inequality.) Gini and Atkinson coefficients for these 25 countries are reported in Table 1.

For all the technical sophistication of these (and other) summary measures of inequality, they conceal almost as much as they reveal. It is difficult to move conceptually from these measures to questions about the people who are poor, or in the middle, or rich. We get a finer grain picture by examining percentile points -- that is, percentiles of the distribution expressed as percentages of the median. Table 2 presents the results for this measure.

But if our interest is in the distribution of people into income classes -- that is, if we want to talk about the poor, the rich, the middle class -- then a more direct approach is to count the proportion of a population who have incomes at particular percentages of the median income. I have defined several income classes ranging from extreme poverty to very rich. The proportion of persons in each class in the LIS countries is shown in Table 3. The income classes are:

Extreme Poverty	an income less than one-third of the median income
Poverty	an income of one-third to less than half of the median
Near Poverty	an income of half to less than 70 percent of the median
Middle Income	an income of 70 percent to less than 1.5 times the median
Prosperous	an income of 1.5 to less than twice the median
Rich	an income of twice to less than three times the median
Very Rich	an income of three times the median or more

For Spain in 1990 the boundaries of these income classes were as follows for a family of four persons whose head was 45 years old:

The Median -- equals	1941580 pesetas
Extreme Poverty -- less than	647193 pesetas
Poverty -- less than	970790 pesetas
Near Poverty -- less than	1359106 pesetas
Prosperous -- more than	2912370 pesetas
Rich -- more than	3883160 pesetas
Very Rich -- more than	5824740 pesetas

Table 1. Gini and Atkinson Coefficients of Equivalent Disposable Income for LIS Countries

NATION AND YEAR	GINI COEFFICIENT	ATKINSON COEFFICIENT
<i>West Europe:</i>		
BE92	22.5	4.1
FI91	22.4	4.3
FR84	28.2	6.6
GE84	24.8	5.1
IR87	32.1	8.4
IT91	25.7	5.3
LX85	23.9	4.6
NL91	25.1	5.5
NW91	23.4	4.8
SP90	30.5	7.6
SW92	22.7	4.6
SZ82	29.3	7.5
UK86	29.0	6.9
<i>Eastern Europe:</i>		
CZ92	20.7	3.7
HU91	28.0	6.6
PL92	28.5	6.7
RL92	38.4	12.0
SV92	19.2	3.1
<i>Anglo:</i>		
AS 89	30.2	7.6
CN91	28.1	6.6
US91	33.1	9.2
<i>Other:</i>		
IS92	29.4	6.9
RC91	30.0	7.2

Table 2. Summary of Income Distribution in LIS Countries: Percentiles of the Median

NATION	PERCENTILE POINT					
Nation and Year	P10	P25	P75	P90	P95	P90/P10
<i>West Europe:</i>						
BE92	57.3	74.5	129.9	161.4	185.3	3.24
FI91	55.5	76.1	125.7	155.3	181.8	3.27
FR84	55.3	72.9	137.5	186.9	230.2	4.16
GE84	56.2	75.1	133.0	169.8	203.6	3.63
IR87	48.4	66.3	148.0	207.4	252.1	5.21
IT91	56.0	73.2	136.1	177.6	210.2	3.75
LX85	58.1	75.0	132.3	174.7	204.2	3.51
NL91	56.2	74.6	133.2	168.6	198.0	3.52
NW91	55.4	76.7	128.9	157.2	179.2	3.23
SP90	49.3	69.0	145.1	199.1	243.7	4.94
SW92	54.7	74.2	125.4	154.5	176.6	3.23
SZ82	55.7	76.3	132.7	183.2	245.6	4.41
UK86	52.1	67.8	141.6	188.6	225.5	4.32
<i>Eastern Europe:</i>						
CZ92	64.2	81.1	124.7	154.5	180.4	2.81
HU91	51.6	72.0	135.7	175.3	219.1	4.25
PL92	52.0	72.1	139.4	190.6	230.5	4.44
RL92	35.5	58.7	158.1	236.0	301.0	8.47
SV92	64.1	81.4	123.4	150.4	171.1	2.67
<i>Anglo:</i>						
AS89	44.2	68.0	142.9	190.0	226.9	5.13
CN91	47.0	70.5	138.0	181.3	214.7	4.57
US91	37.2	62.1	149.2	203.1	243.4	6.54
<i>Other:</i>						
IS92	49.8	69.4	145.2	198.6	232.7	4.67
RC91	50.1	68.5	144.4	194.9	234.4	4.68

These categories allow us to examine the texture of income stratification as it varies from country to country. We see that there is a very wide range in the proportion of people who are middle income -- from around 40% in Russia to three-quarters in the Czech Republic and Slovakia (Figure 1)¹. Close to two-thirds or more of persons are middle income in Belgium, Denmark, Finland, Norway and Sweden, followed closely by Germany, Luxembourg, the Netherlands and Switzerland at slightly over sixty percent. The United States and Ireland have less than half of their populations in the middle income group. The other countries range from the low to the high fifties.

By and large, the countries with more high income people also have more low income people - the correlation of the two percentages is .832. But although the correlation is strong, we note that there is quite a range in the number of high income people in countries that are quite similar in the percentage in the lower income group. Fourteen countries have low income percentages from around 20 percent to 25 percent, but their high income groups range from a little over ten percent in Slovakia, Denmark, Finland, Sweden and the Czech Republic to close to 20 percent in Canada, France, Italy and Poland.

We note that very few people in any country have incomes more than three times the median -- the range is from almost no one in Sweden to three percent in Switzerland, with Russia as an outlier at 5 percent (Figure 2).

Shifting to the low income categories we find a similarly wide range in the size of the poor and near poor group -- from around thirty percent in Russia, the United States and Ireland to less than fifteen percent in the Czech Republic and Slovakia and less than twenty percent in Finland, Norway, Switzerland and Luxembourg (Figure 3).

We note that in only two countries are more than five percent of persons extremely poor -- the United States and Russia at slightly over eight percent. In the great majority of countries, fewer than three percent have such low incomes.

¹ All Figures (1 through 10) are to be found at the end of the text.

Shifting to the poverty line -- less than half of the median income -- we find interesting differences among the continental groups of nations. The non-European countries all have poverty rates of at least ten percent, ranging from Israel and Taiwan at the low end, to Australia and Canada slightly higher and the United States much higher at 17 percent. The range among the East European countries is as wide as for the total group -- the Czech Republic and Slovakia have the lowest poverty rates of all countries, Hungary and Poland are on the high side at around nine percent, and Russia has the highest rate. In the European Union the range is much narrower -- Ireland and Spain have the highest rates at eleven or ten percent while the other countries are tightly grouped together in the five to eight percent range.

It is as well to remember that some of our samples are small, and that while quite comparable the surveys are not exactly comparable. This means we should not exaggerate small differences in either overall inequality measures or in distributions over income classes. When differences are large as between the United States and Russia and any of the other countries, or between Spain and Belgium, or Ireland and Finland, we can feel very confident that they are real but it is best not to rely too heavily on differences when countries are quite close in their distributions.

The Distribution of Children's Well-Being

We have been examining the distribution of income levels among the total populations of these countries. The question arises as to whether the same patterns obtain if we focus on particular groups. My current project concerns the economic well-being of children in the LIS countries, so let us shift our focus to them.²

² The remainder of this paper revises and extends Rainwater and Smeeding (1995).

Table 3. Percentage Distribution of All Persons by Income Classes in LIS Countries

NATION AND YEAR	INCOME CLASS						
	EXTREME POVERTY	POVERTY	NEAR POVERTY	MIDDLE INCOME	PROSPEROUS	RICH	VERY RICH
<i>West Europe:</i>							
BE92	1.1	4.2	15.2	65.5	10.8	2.9	0.3
DK92	2.8	5.3	16.5	64.8	8.4	1.8	0.5
FI91	1.9	5.3	12.5	68.5	8.6	2.7	0.5
FR84	2.6	4.6	14.6	58.6	11.2	6.5	1.9
GE84	1.7	4.8	14.0	63.7	10.6	4.3	0.9
IR87	3.0	8.5	17.1	47.0	13.4	8.5	2.5
IT91	1.8	4.8	15.8	58.8	12.8	5.2	0.8
LX85	0.8	4.5	13.9	62.9	12.2	5.2	0.6
NL91	2.5	3.8	14.5	62.5	12.0	4.0	0.8
NW91	1.8	5.6	12.1	67.5	9.9	2.3	0.8
SP90	3.5	6.9	15.5	51.2	13.1	7.6	2.3
SW92	3.3	4.4	13.7	67.2	8.7	2.5	0.3
SZ82	2.9	4.7	11.9	63.0	9.4	5.1	3.2
UK86	2.7	5.7	18.5	52.0	13.3	6.5	1.4
<i>Eastern Europe:</i>							
CZ92	0.4	3.0	10.1	75.1	8.3	2.3	0.9
HU91	2.8	6.7	13.5	59.0	11.2	4.9	1.9
PL92	2.7	6.3	14.7	55.9	11.9	6.9	1.7
RL92	8.8	11.1	12.1	40.5	12.4	10.1	5.1
SV92	0.4	2.8	10.8	75.9	7.9	1.8	0.4
<i>Anglo:</i>							
AS89	4.6	8.5	13.4	51.4	13.6	7.1	1.5
CN91	4.2	7.5	12.8	56.1	12.5	5.7	1.1
US91	8.2	8.9	12.7	45.6	14.1	8.4	2.1
<i>Other:</i>							
IS92	2.4	7.6	15.5	51.1	13.7	8.2	1.5
RC91	2.2	7.7	16.4	51.1	13.5	7.0	2.1

Sixty-five percent of children are middle income in the median country. We note that three-quarters or more of children are middle income in six countries -- Finland, Sweden, Norway, Denmark, Slovakia and the Czech Republic. In contrast, fewer than half are middle income in Russia and the United States, and only slightly more than half in five other countries -- Ireland, Spain, Australia, Israel and Taiwan.

The two countries with the highest proportion of low income children, the United States and Ireland, have poverty and near poverty rates over three times as high as those with the lowest (the Czech Republic, Slovakia and Sweden). Italy, Spain, the United Kingdom, Taiwan and Israel also have elevated rates. In contrast, the other Scandinavian countries, Switzerland and Belgium have quite low rates (see Figure 4).

If we shift the focus to poverty rates *per se*, we see important differences that are not apparent at the near poverty level. Only the United States, Russia and Australia have extreme poverty rates as high as five percent. In contrast to the US extreme poverty rate of over ten percent, some thirteen countries have rates of two percent or less.

In the European Union, Spain, Italy, and the United Kingdom as well as Ireland have elevated overall child poverty rates. Except for the Netherlands and France, all the other countries have rates below five percent.

It is apparent if one compares Tables 3 and 4 that the distribution of income among children is different in important ways from that of the total population. This raises the question of the distribution for other age groups. Since working age adults are the parents of children we would not expect much difference between the two distributions and in fact there is not. However, with the elderly there can be, and are, significant differences. The correlation between child and elderly poverty rates is only .57 so there are important differences in the pattern across countries of the two rates.

Most countries have elder poverty rates higher than their child poverty rates. Russia is the most extreme -- an elder rate of 38 percent versus 17 percent for children.

Table 4. Percentage Distribution of Children by Income Classes in LIS Countries

NATION AND YEAR	INCOME CLASS						
	EXTREME POVERTY	POVERTY	NEAR POVERTY	MIDDLE INCOME	PROSPEROUS	RICH	VERY RICH
<i>West Europe:</i>							
BE92	0.9	2.9	13.4	71.7	9.0	1.8	0.3
DK92	1.3	2.7	12.3	75.5	6.4	1.5	0.3
FI91	0.7	1.8	9.8	80.0	6.5	1.1	0.1
FR84	2.0	4.5	14.7	63.1	9.4	4.8	1.4
GE84	1.1	3.9	17.3	67.3	7.3	2.2	1.0
IR87	3.3	8.7	21.6	50.4	10.4	4.7	1.0
IT91	3.6	6.0	21.4	57.5	8.9	2.4	0.3
LX85	0.8	3.5	16.8	65.4	9.0	4.2	0.3
NL91	3.1	3.9	12.2	71.2	7.1	2.0	0.4
NW91	1.1	3.5	10.1	76.9	6.1	1.5	0.8
SP90	4.6	7.8	18.3	52.8	9.8	5.3	1.4
SW92	1.0	1.7	8.7	78.7	8.1	1.7	0.2
SZ82	1.3	2.0	10.8	69.1	8.3	5.4	3.1
UK86	3.6	6.3	20.1	55.6	9.9	3.9	0.6
<i>Eastern Europe:</i>							
CZ92	0.4	1.7	7.9	80.2	7.0	2.0	0.9
HU91	3.2	3.9	10.9	65.5	10.3	4.7	1.6
PL92	3.7	7.3	15.7	55.0	10.8	5.9	1.6
RL92	7.8	9.6	10.7	42.9	13.6	10.3	5.3
SV92	0.3	1.5	8.5	81.3	6.5	1.5	0.3
<i>Anglo:</i>							
AS89	5.8	8.3	13.2	58.9	9.5	3.6	0.8
CN91	4.3	9.2	13.7	59.9	9.2	2.9	0.9
US91	10.4	11.1	14.7	46.8	11.3	4.9	0.8
<i>Other:</i>							
IS92	1.8	8.8	17.7	52.4	12.0	6.3	1.0
RC91	1.7	8.7	18.6	51.3	12.4	5.6	1.7

The other countries are plotted in Figure 5. We see that for a group from France and the Netherlands on the low side, to the United States with high rates, child and elder rates are about the same. For the other countries the elder rate is somewhat to quite a bit higher than the child rate. For example, compare the countries with child poverty rates in the 10 to 15 percent range: the United Kingdom, Poland, Spain and Canada have elder poverty rates in the same range. But Taiwan, Israel, Ireland and Australia have much higher elder poverty rates -- above 20 percent. Switzerland and Finland also have elevated elder poverty rates compared to their very low child poverty rates, and Norway, Luxembourg and Belgium are not far behind.

We would expect to find the reasons for the differences in elder versus child poverty rates first by examining pension programs in these countries, and then by comparing wage inequality (particularly with the addition of the social wage in the form of family benefits, housing allowances, and temporary absence insurance) with the inequality of benefits for the retired.

Children's Real Levels of Living

Although we would argue that economic well-being (at least in developed countries) is most crucially a function of the individual's relative position in the distribution of income, real levels of living are also of interest in comparing income and well-being. Interest in real income goes beyond the situation of poor children since in comparative studies one also wants to know about the real standard of living of average and well-off children as well.

Comparisons of real gross domestic product and aggregate consumption often show that the United States has the highest standard of living among major modern nations. Thus, the question of whether this state of affairs extends to measures of after-tax adjusted disposable income arises. While the purchasing power parities (PPPs) used to make such adjustments are based on differences in consumption patterns among nations, they are designed to be used with

macroeconomic concepts: aggregate output (GDP) and aggregate consumption as defined by national and international income accountants. Cross-national differences in types of consumption which are tax financed versus household expenditure financed are not taken into account. Because countries differ in the way that they finance such goods as health care and education, and because they differ in the extent to which specific types of consumption are tax subsidized, for example, owned versus rented housing, the PPPs used here are less than ideal for adjusting disposable income for control over resources across countries. Yet they are the best tool we have to make such comparisons. The real incomes measures below should therefore be seen as measures of net spendable income rather than measures of total consumption for children, the largest difference between the two concepts being goods and services such as health care, day care, and education which are provided at different prices in different nations.

Figures 6, 7 and 8 address this issue (also see Table 5, columns 4, 5 and 6, on which the figures are based). We compare the real spendable (disposable) incomes of well-off, average and low income children in the United States with comparably situated children in the other nations. The average American child in a four person family in 1991 had a family income of \$34,675.

In fact, American children who are in families in the upper 20 percent of the income distribution do very well indeed (Figure 6). They have much higher standards of living as measured by real spendable income than do similarly situated children in all countries, with only Switzerland and Canada being within 20 percent of the United States level. Scandinavia -for example, Denmark and Sweden- has high income children who live in families with three-quarters the income of the average American child. The only nations whose rich children live in households with incomes which are less than 60 percent of that found in the United States are Israeli and Irish children. Given that Israel and Ireland have, by far, the lowest overall real standards of living of the nations observed here, this is to be expected.

Focusing on children in the middle 20 percent (Figure 7), we find that only in Denmark and in Canada are children as well off as American children, although Swedish and Swiss children are almost as well off. The average child in Belgium, Germany, Norway and Finland

is only 90 percent as well off, and 80 percent or less as well off in countries like Austria, Italy and France. On the other hand, in only three countries is the average child less than three-quarters as well-off as in the United States: the United Kingdom at 72 percent, Israel at 52 percent and Ireland at 43 percent.

At the lower end of the distribution we find a very different and surprising picture. Both the official U.S. statistics and our international results suggest that the poverty rate of United States children is in the neighborhood of 20 percent. In Figure 8, we compare the real spendable incomes of the typical poor American child - the one at the median of the bottom 20 percent- with that of comparable low income children in other countries. We see immediately that in six countries, low income children have real standards of living at least 50 percent higher than in the United States: Switzerland, Sweden, Finland, Denmark, Belgium and Norway. And in four other countries (Germany, Luxembourg, Netherlands and Austria), low income children are at least 30 percent better off than in the United States. Only in Israel and Ireland - the two nations with the lowest GDP per capita of those studied- do low income children have a lower real standard of living than do children in the United States.

In other words, while the United States has a higher real level of income than most of our comparison countries, it is the high and middle income children who reap the benefits (and much more the former than the latter). Low income American children suffer in both absolute and relative terms. The average low income child in the other 23 countries is at least one-third better off than is the average low-income American child (see also Table 5).

Trends in Child Poverty

We now examine the trend in child poverty for the nations for which we have multi-year data. In order to have really solid evidence on patterns of change in these measures it would be desirable to have multiple observations over several decades for a large number of nations. Unfortunately a database with data for several countries over long periods of time does

not yet exist. However, LIS has made efforts to bring in earlier datasets from the later 1960s and 1970s, and also to pursue continual updating of datasets to the late 1980s and early 1990s, to provide a better data base for determining trends as well as levels of poverty in advanced nations.

Table 6 provides multi-year data on child poverty rates. We have split the estimates into six periods: before 1971; 1972-1975; 1978-1981; 1982-1985; 1986-1988; and 1989 or later. For 15 nations, we have observations for child poverty at two or more points in time (although in some cases the time lapse is short). For eight of these countries we have observations at three points in time, and four or five points for a few. We must therefore interpret changes in a very tentative way.

The 1980s was not a period in which the relative economic well-being of children in any of these countries was greatly improved. In two countries, there are hints of improvement from the 1970s through the 1980s to the 1990s (see Canada and Sweden in Table 6). But overall we have a picture of either stability or deterioration in children's economic well-being. In the United States, Israel and the United Kingdom, there is a clear trend toward a worsening situation for children. The 1990s results for Israel and the United Kingdom are not yet available. Over an 18 year period, from 1969 to 1986, the child poverty rate increased from 5.3 percent to 9.9 percent in the United Kingdom and in the United States from 13.1 percent to 22.9 percent, before falling to 21.5 percent in 1991 but rising again to 22.5 percent in 1994. In Israel, too, there was a deterioration during the first half of the 1980s. All of the Scandinavian countries have been able to keep child poverty below five percent, and many other European nations keep it in the 5 to 6 percent range over the 1980s and into the 1990s.³

³ Note that in both Germany and the Netherlands, the datasets used in earlier periods are different from those used in later periods. Thus, the observed trend toward higher poverty rates in these nations may be attributed to different datasets, not to true increases in child poverty. Moreover, at worst, both of these nations have child poverty rates in the six percent range.

Table 6. Level and Trend in Child Poverty Rates:^a 1967-1992

Nation	Year of Survey	Period 1 < 1971	Period 2 1972- 1975	Period 3 1976- 1981	Period 4 1982- 1985	Period 5 1986- 1988	Period 6 1989+
<i>A. United States</i>	69, 74, 79, 86, 91	13.1	17.3	18.5		22.9	21.5
<i>B. West Europe:</i>							
Austria	87					4.8	
Belgium	85, 88, 92				3.4	3.1	3.8
Finland	87, 91					2.9	2.5
Denmark	87, 92					5.3	3.3
France	79, 84			6.3	6.5		
Germany (West)	73, 78, 83/84, 89 ^b		4.0	3.2	4.8/6.4		6.8
Ireland	87					12.0	
Italy	86, 91					10.8	9.6
Luxembourg	85				4.1		
The Netherlands	83, 87/91 ^c				2.5	3.6	16.2
Norway	79, 86, 91			3.8		3.8	4.6
Spain	80, 90			12.3			12.4
Sweden	67, 75, 81, 87, 92	3.5	1.9	3.9		3.0	2.7
Switzerland	82				3.3		
United Kingdom	69, 74, 79, 86	5.3	7.0	8.5		9.9	
<i>C. Other:</i>							
Australia	82, 86, 90			14.0	13.1		14.0
Canada	71, 75, 81, 87, 91	15.2	14.6	13.9		13.6	13.5
Israel	79, 86, 92			8.2		11.1	10.6

^aPoverty is defined as the percentage of children living in households with adjusted disposable income less than 50 percent of median adjusted disposable income for all persons. Income includes all transfers and tax benefits.

^bThe slash (/) for Germany indicates that the German Survey for 1973-1983 is different from that for 1984 and 1989; hence one cannot derive overall trend estimates from 1973 through 1989 from these figures.

^cThe slash (/) for The Netherlands indicates that the survey for 1983 and 1987 differs from the 1991 survey; hence one cannot derive trend estimates for 1983-1991 from these figures.

Source: Luxembourg Income Study.

At the very least, these multiple year observations suggest that the finding from the various LIS datasets are not artifacts of particular years of our samples. We find that the countries that have low poverty rates in our latest samples have low rates in the earlier periods as well. Those with middling rates are in the middle earlier and the higher rate countries are higher in early periods.

Differences between Two-Parent and Solo-Mother Families

In all countries studied, one's chance of being poor in a one-parent mother family is much higher than in two parent families. A child's chances of being poor in the United States differs dramatically depending on whether he or she lives in a one or two parent family (see columns 4, 5 and 6 of Table 7). A child in a two-parent United States family has only about an 11 percent chance of being poor as compared to a 60 percent chance if the child lives with a lone parent who is a mother. (Our analysis here is based on results for 18 countries; we have not yet made tabulations by family type for the other six countries discussed above.)

Because so few children in most countries live in solo mother families, the difference across countries in the percent of children living in solo mother families has little to do with the difference in total child poverty rates. Only in the cases of Australia, Canada and the United States would total poverty rates be noticeably lower if the proportion of solo mother families was the average for these 17 countries. In other counties with more than 10 percent of children in solo mother families (Denmark, Norway, Sweden, United Kingdom), the poverty rates for single parent children are close enough to couples' rates to not make a great deal of difference in the overall poverty rate. And demography is clearly not destiny; children in solo mother families in Denmark, Finland (7 percent poverty rate) and Sweden (5 percent poverty rate) do better than children in two parent families in many of the nations studied.

Comparing the poverty rates of children in two parent families and in solo mother families, we note a group of countries with very low rates for both types: Sweden, Finland, Belgium, Denmark and Luxembourg. Another group has child poverty rates in solo mother families between roughly 20 and 40 percent but covers a wide range of rates in two parent families: Germany, Switzerland and Norway have quite low two parent rates. France has a middling rate and Israel, Italy and the United Kingdom higher rates for children in two-parent households.

The combination of difference in the poverty rates of children in two parents compared to solo mother families and the smaller differences in the percentage of children who live in solo mother families has an important effect on the family type composition of the poor. In five countries, more than half of poor children live in solo mother families: the United States, Australia, Germany, Switzerland and Norway, with Canada coming close at around 40 percent. At the other extreme, fewer than 15 percent of poor children are in solo mother families in the Netherlands, Belgium, Italy and Israel. Children in solo mother families make up between 15 and 30 percent of the poor in Luxembourg, Ireland, France, the United Kingdom and Sweden. Thus the rate of feminization of poverty varies dramatically across these countries based on both the poverty rate for children in single parent units and on the percentage of children living in each type of unit.

In summary, 1 of every 8 American children is a poor child living with a solo mother. Fewer than 1 in 100 children are in the same situation in Sweden, the Netherlands, Luxembourg, Italy, Finland and Belgium. In the United States, 1 of every 10 children is a poor child living in a two parent family and this ratio is not too different in three other countries: Ireland, Israel and Italy. In contrast, the ratio is about 1 in 50 in Finland, Germany, Norway, Sweden and Switzerland.

The Role of Market Income and Income Transfers

What are the roles of market income and transfers in producing the wide range in child poverty? To what extent would children be poor in the absence of transfers? Figures 9 and 10 plot the pre-government (market) income poverty rates of children (that is, poverty rates based on income from earnings and assets and before taxes and transfers including private transfers) against child poverty rates based on post-government (after tax and transfer or disposable) income.

Two-Parent Units. For children in two parent families we find a wide range in pre-government income poverty rates which can be summarized as follows: below 5 percent: Germany, Norway, Switzerland; between 5 percent and 10 percent: Finland, Luxembourg, the Netherlands; between 10 percent and 20 percent: Australia, Belgium, Canada, Denmark, Italy, Sweden, United States; and over 20 percent: France, Ireland, Israel and the United Kingdom (see the first three columns in Table 7).

There is, similarly, a wide range in the degree to which market income poverty rates are reduced by transfers. The lines in the figure radiating from the origin indicate the extent of poverty reduction: (none, for no reduction), 25 percent, 50 percent, and 70 percent. In three countries, transfers reduce the poverty of children in two-parent families by 10 percent to 33 percent: Australia, Italy and the US. In nine countries, the reduction ranges from a little below half to not quite two-thirds. Finally, in five countries the reductions are three-quarters or more: Finland, Belgium, France, Sweden and Denmark.

The result is that the extremely low market income poverty rates for children in Norway and Switzerland are reduced to even lower rates by government programs, and the three countries with 5 to 10 percent market income based poverty rates find their disposable income rates reduced to below 5 percent. For the rest of the countries there is an even greater movement. Belgium has a higher market income poverty rate than the other European countries, but its transfers produce a very low disposable income rate of less than 5 percent. The shift for Canada is not as dramatic, but still considerable compared to the United States or Italy or Australia.

There are also differences in the disposable income poverty rates among the countries with the highest market rates (above 20 percent). French children in two-parent families improve their situation a great deal through transfers, and children in the United Kingdom and Ireland improve more than those in Israel.

Solo-Parent Units. The antipoverty effect of transfers for children in solo mother families is quite different from that of two-parent families (see Figure 10). The pre-government poverty rates in all countries are very high. Only four have rates below 50 percent and two have rates close to 80 percent. Market income poverty rates for children in one-parent families are as follows: between 33 percent and 45 percent: Switzerland, Italy, Finland, Germany; between 55 percent and 62 percent: Luxembourg, Belgium, France, Denmark, Sweden, Norway, Germany, Israel; between 68 percent and 73 percent: Canada, United States, Australia, Ireland; and between 70 percent and 80 percent: Netherlands, United Kingdom.

The antipoverty effect of transfers varies more widely across the countries in this case than for children in two-parent units. While only three countries had reductions in two-parent poverty of 75 percent or more, we find that much reduction for solo mothers' children in six countries. However, there are also more countries with rates of poverty reduction around 25 percent or less for mother-only than for two-parent families.

The result of this diversity in the proportion of children moved out of poverty by transfers is a very wide range in post-government income poverty rates. The five countries with post-government rates under 10 percent ranged across a fairly narrow range of market income rates: see Finland, Denmark, Belgium, Luxembourg and Sweden. We find greater diversity in market rates for the six countries with disposable income rates ranging from 14 percent (Italy) to 27 percent (Israel). Switzerland and Italy are among the nations with the lowest market based rates, Norway, France, and Israel are in the middle, and the United Kingdom has a high pre-government income based poverty rate for children in solo mother families. Disposable income poverty for children in mother-only families tends to be highest in those countries where the antipoverty reduction is only around 25 percent. The correlation between market income based poverty and disposable income based poverty among children

in solo mother families is only 0.40, much less than the 0.73 rate for children living with two parents.

Figure 1
Percent of Middle Income Persons

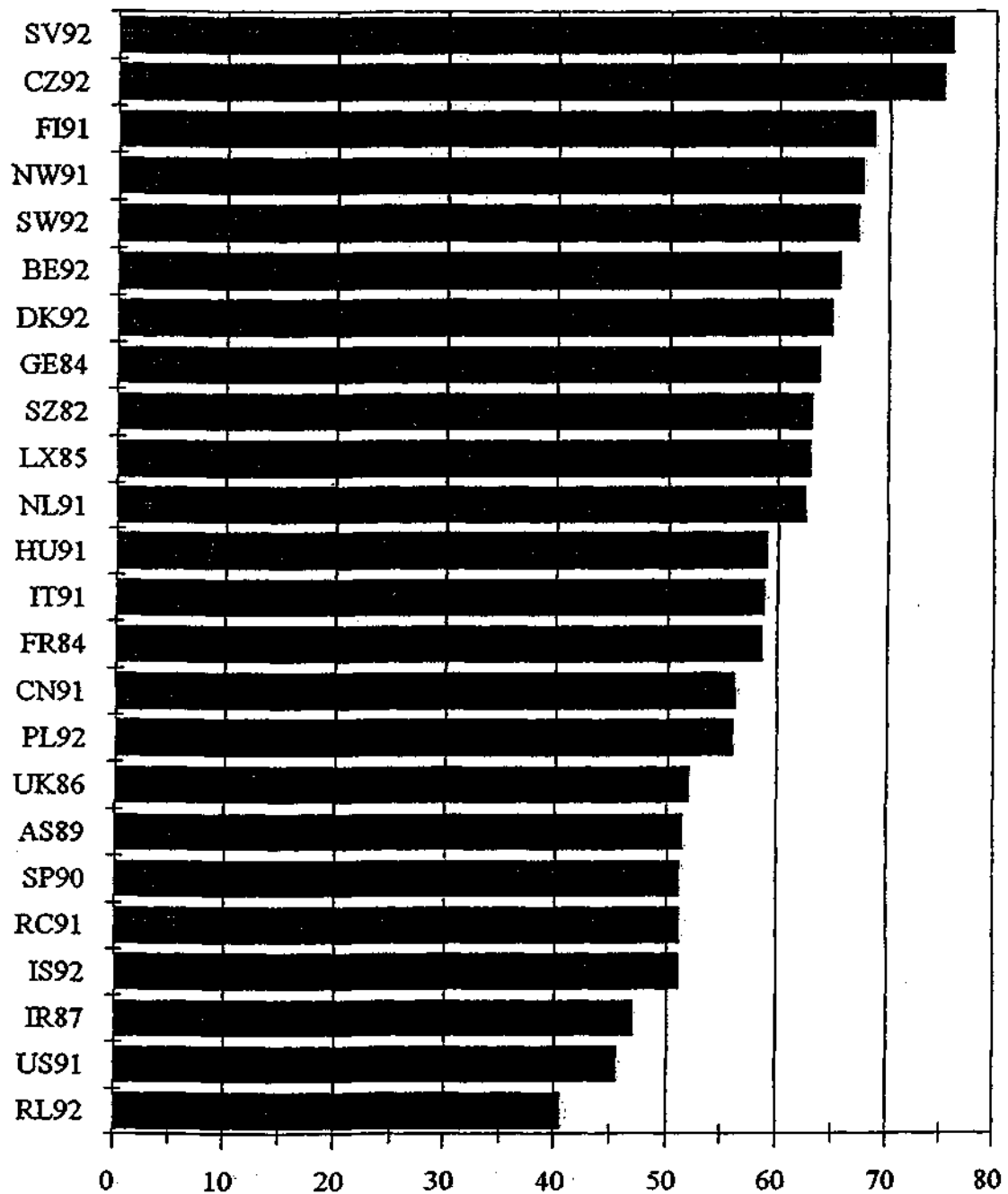


Figure 2
Persons with High Incomes

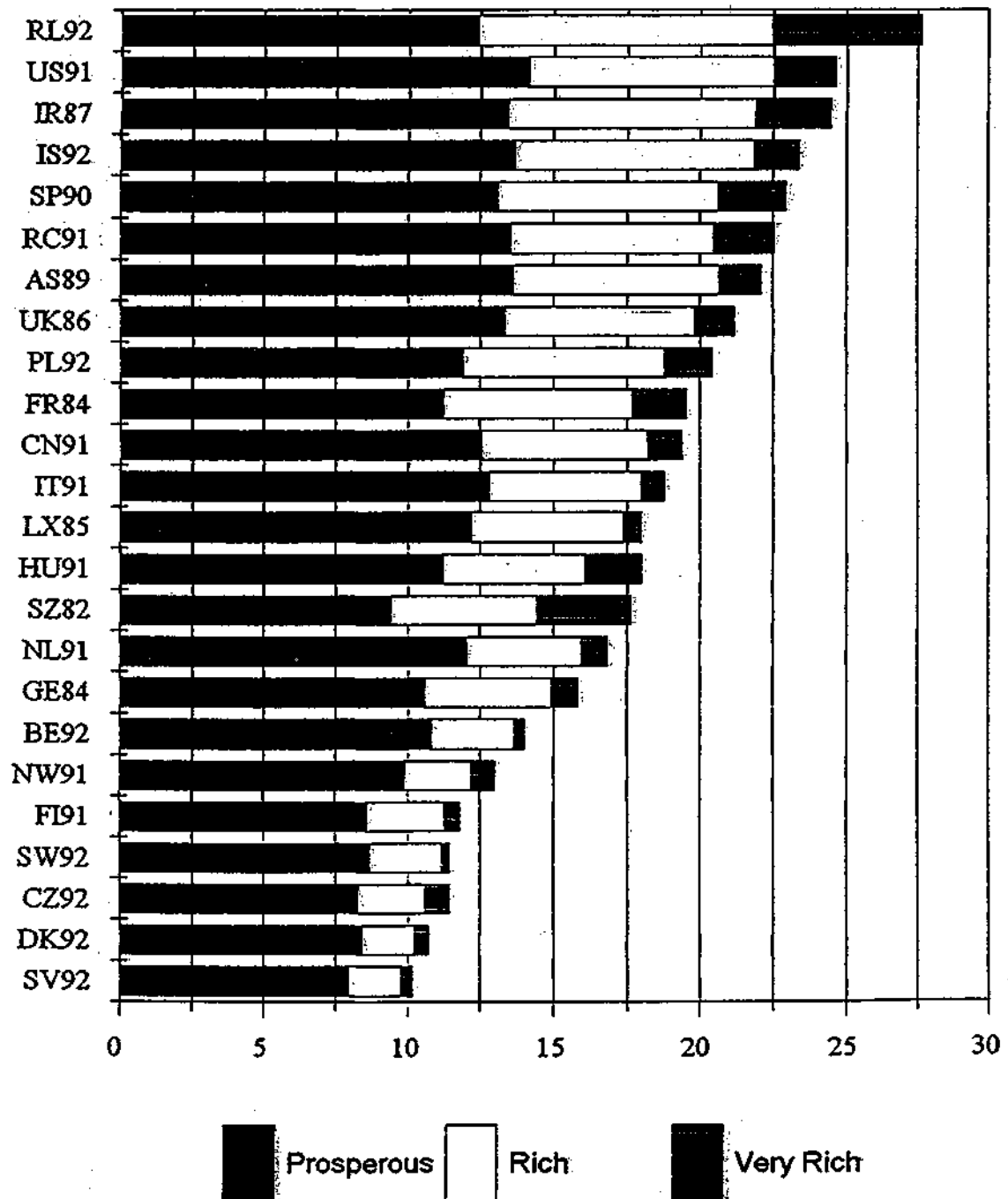


Figure 3
Persons with Low Income

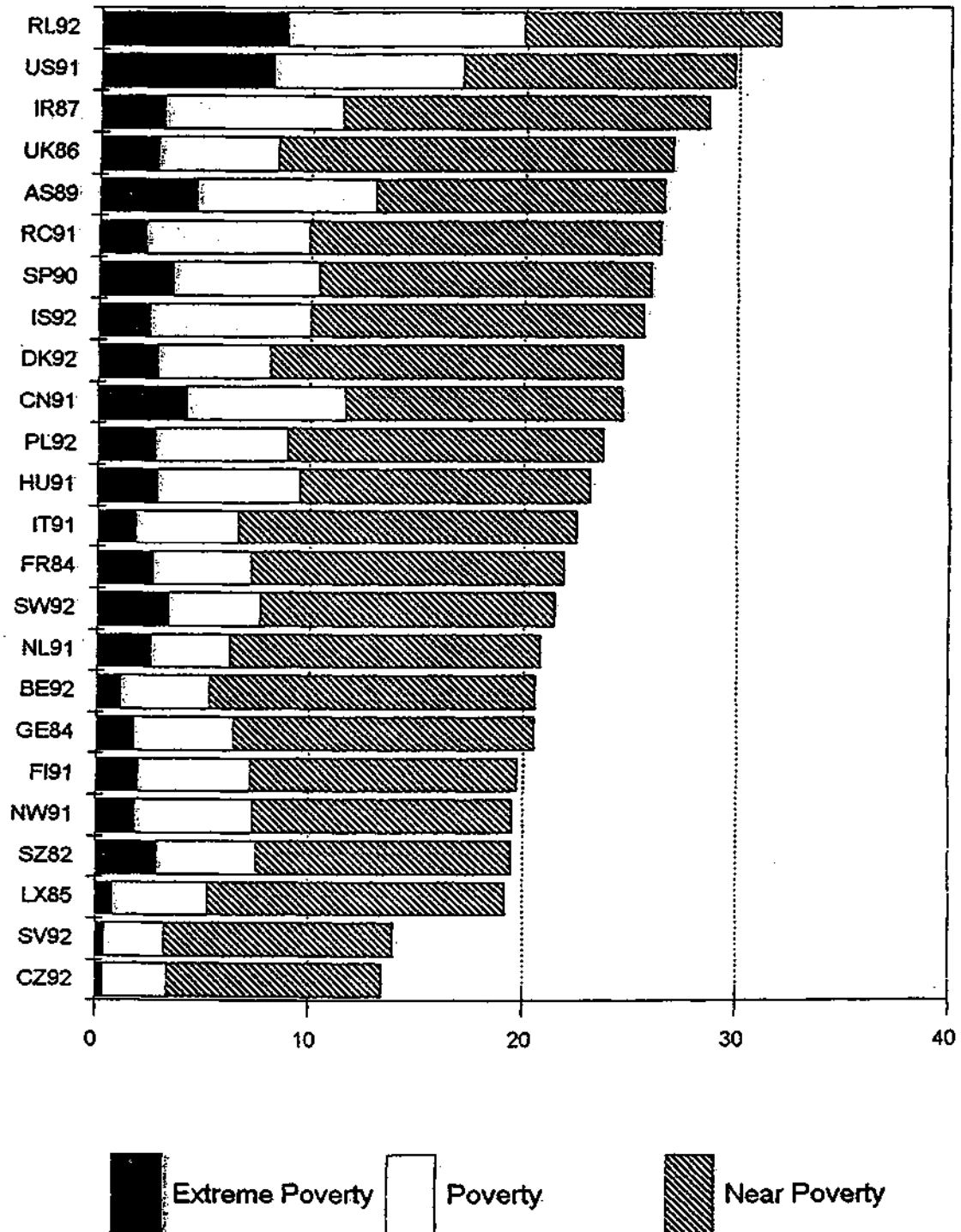


Figure 4
Children with Low Incomes

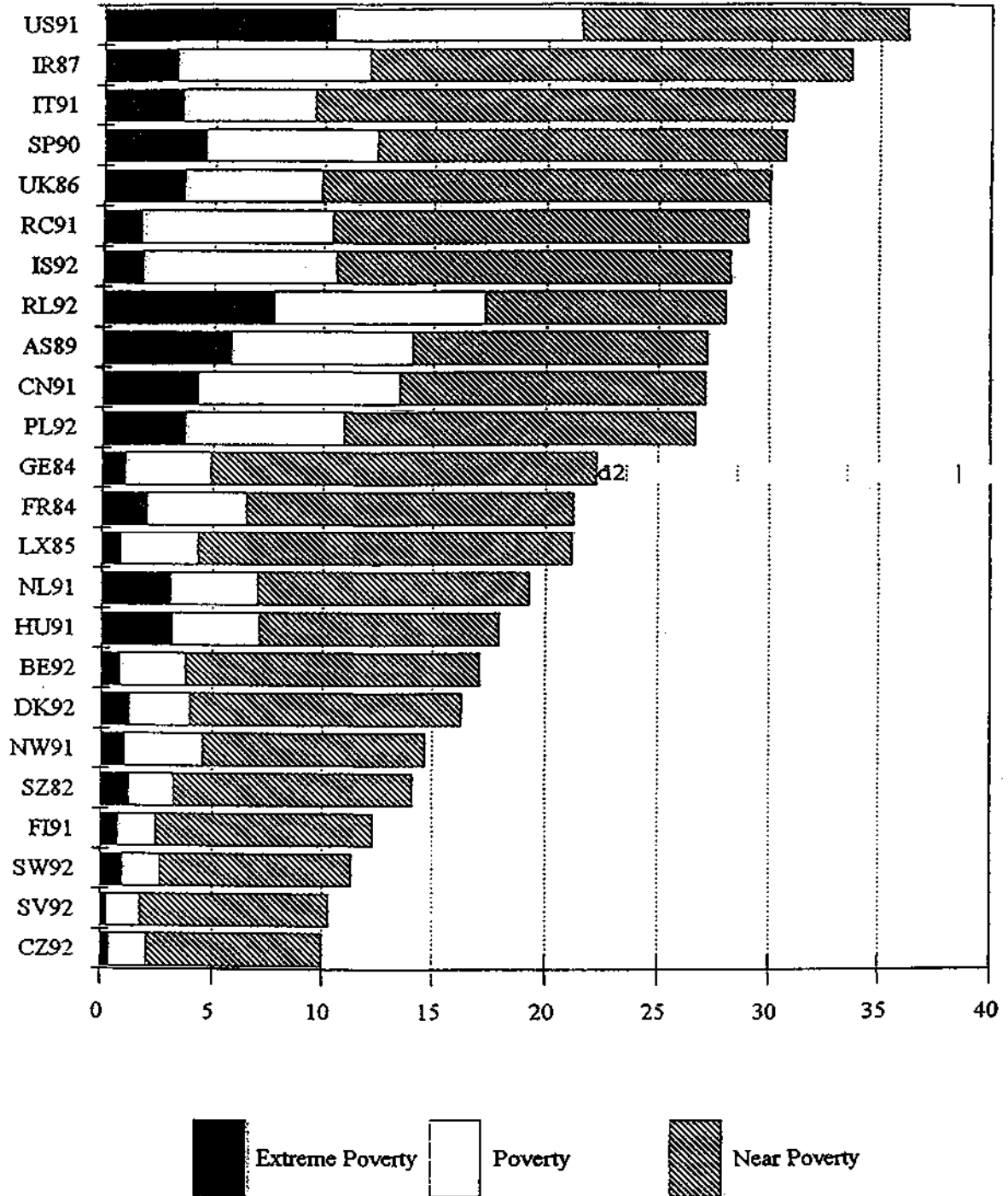


Figure 5
Child and Elder Poverty Rates

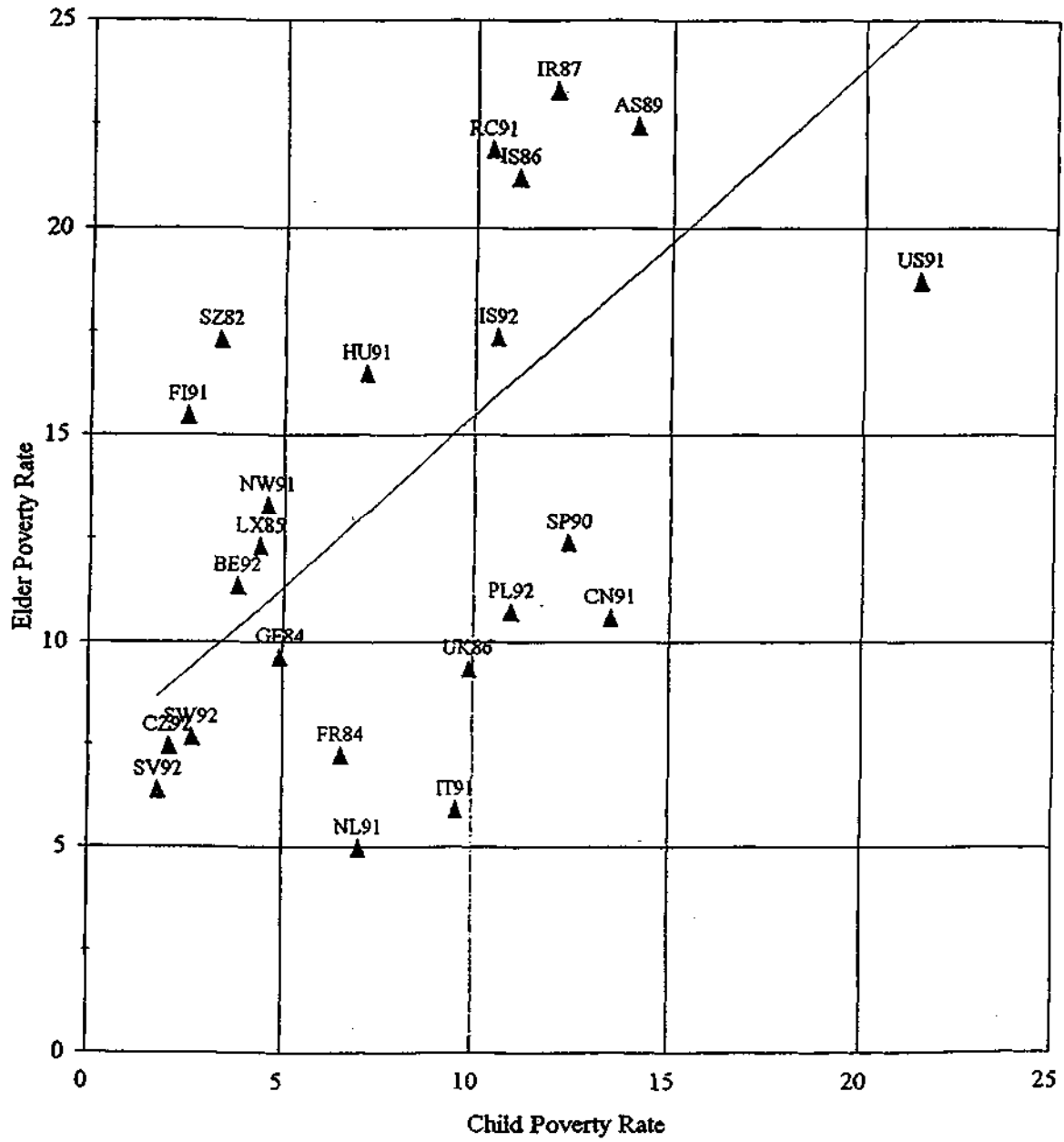


Figure 6
Real Income of High Income Children

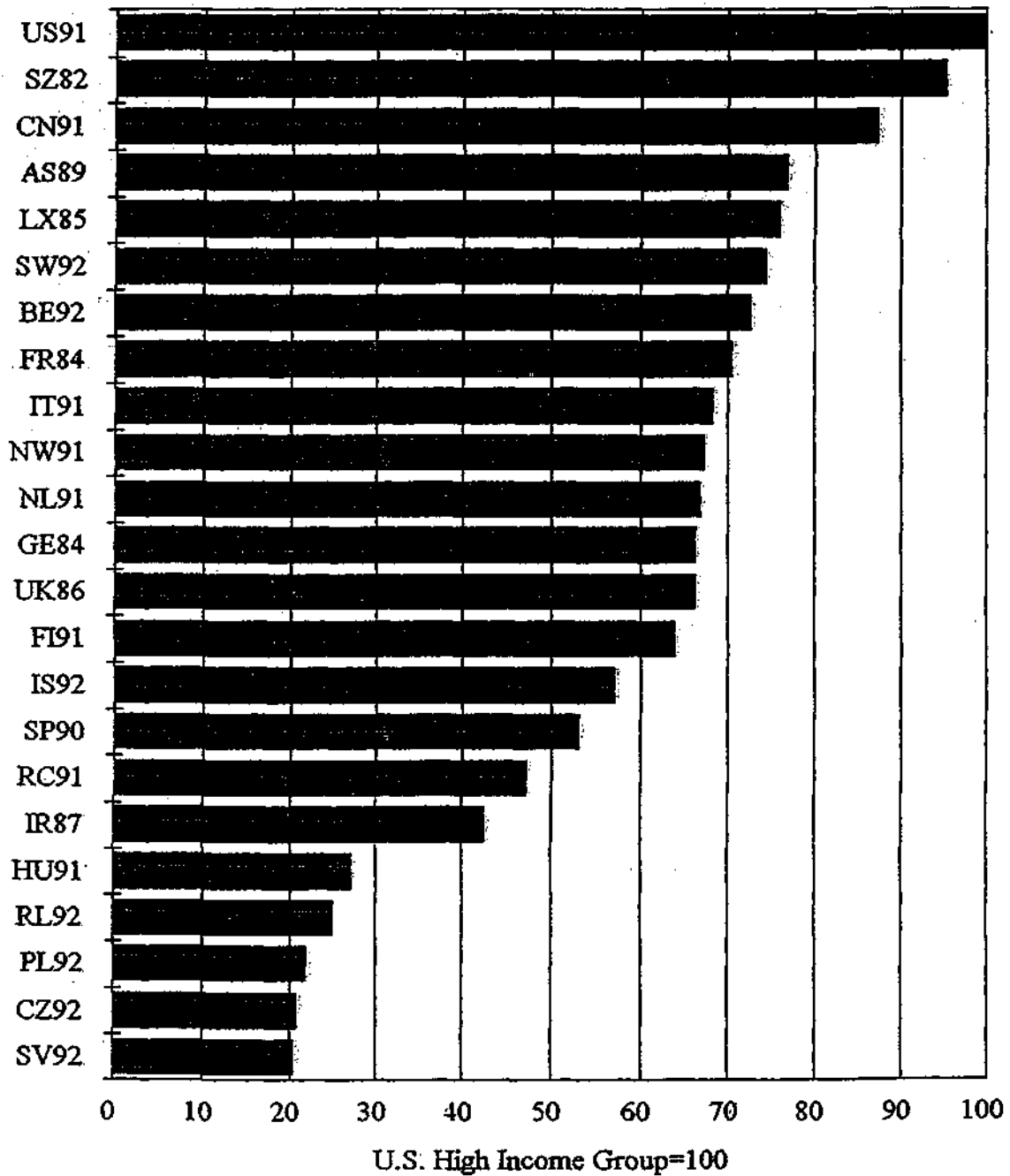


Figure 7
Real Income of Middle Income Children

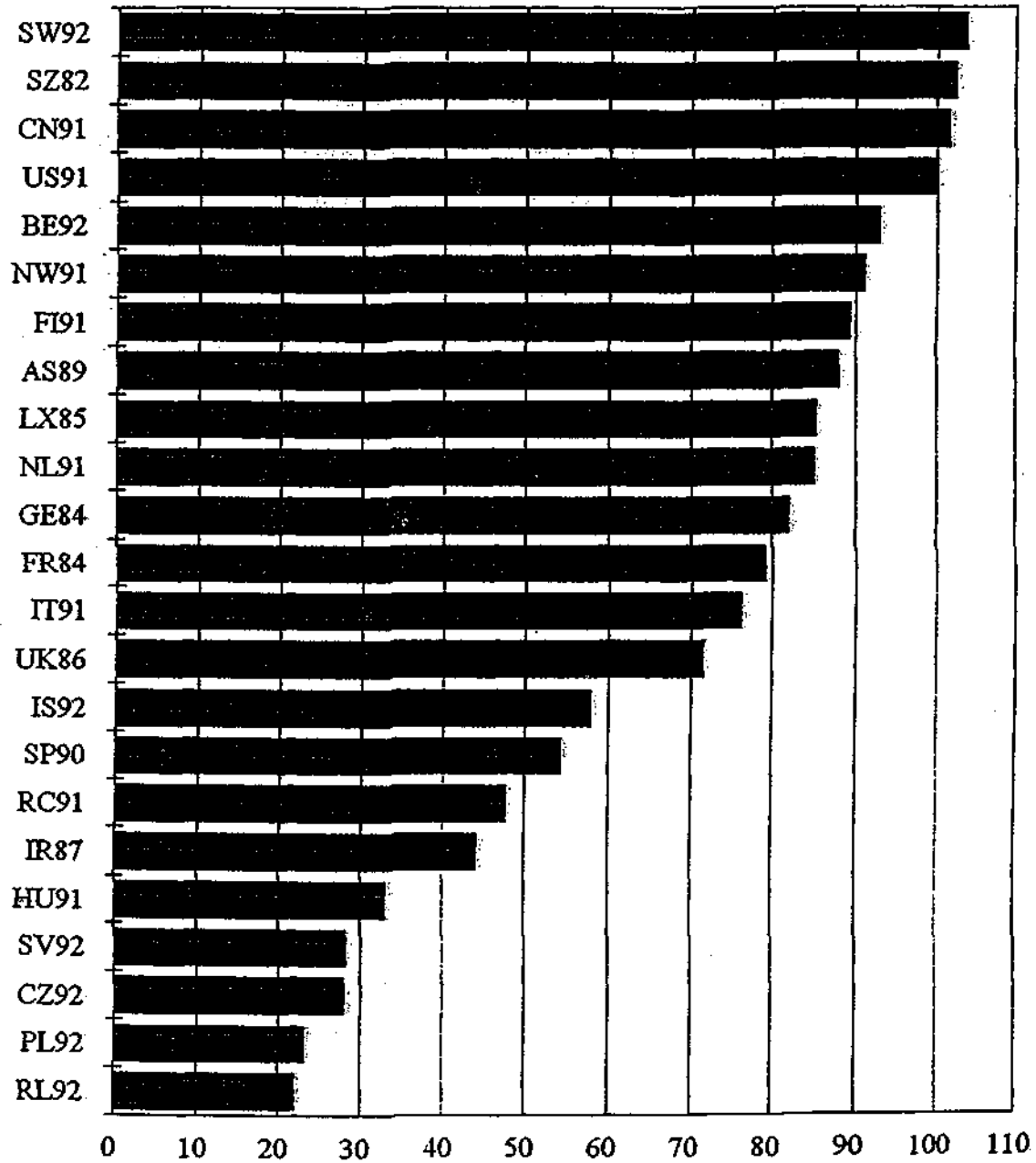
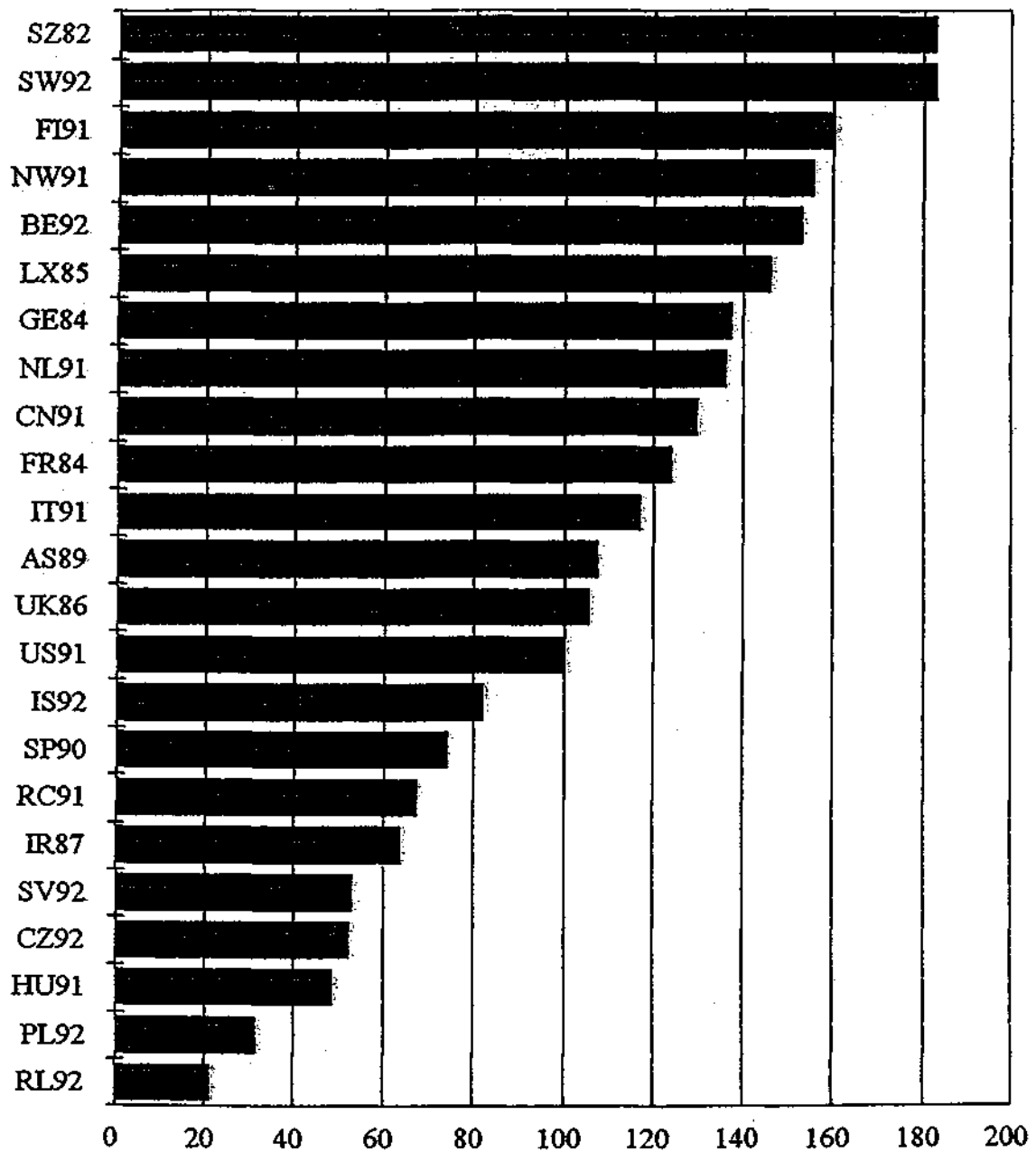
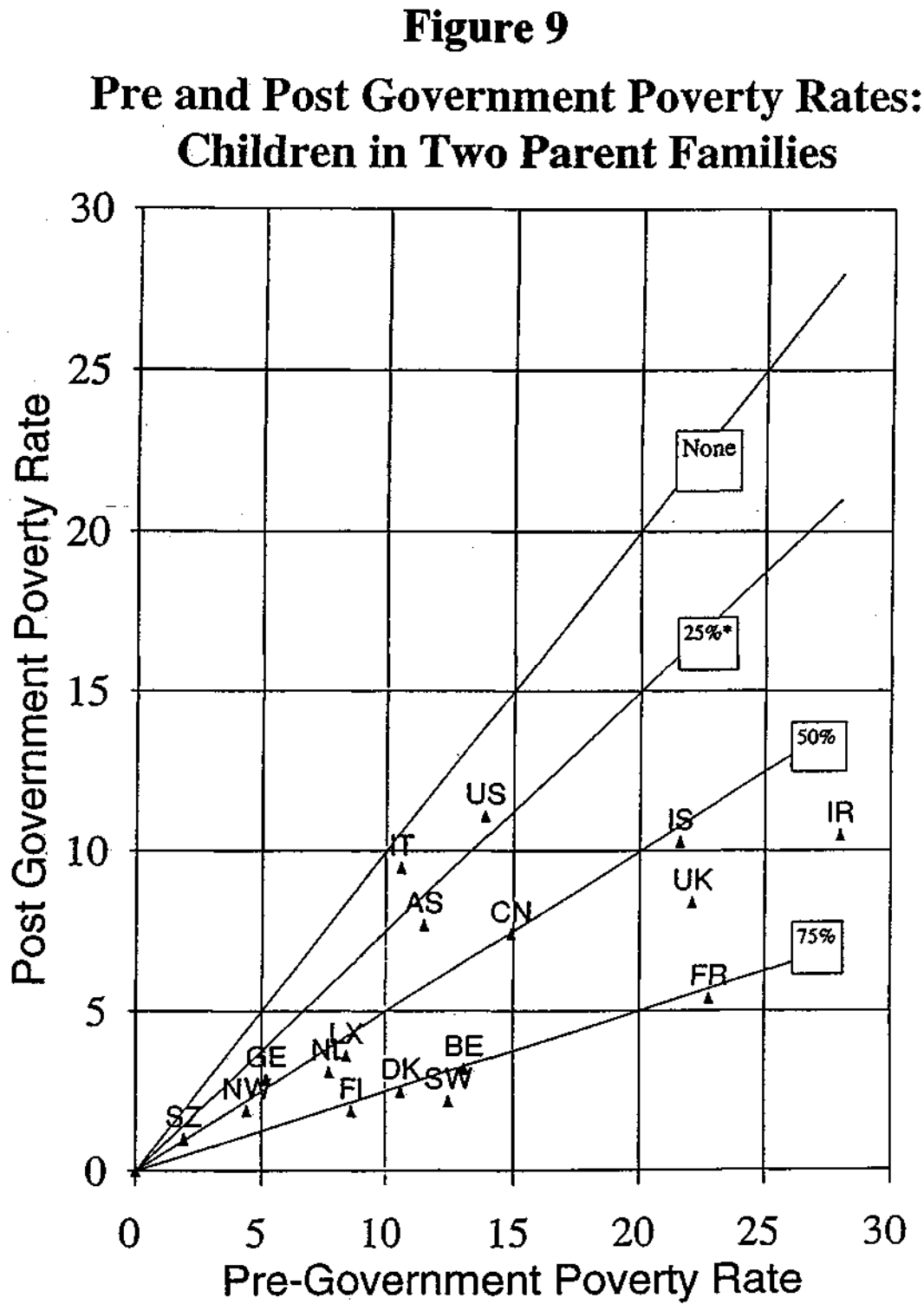


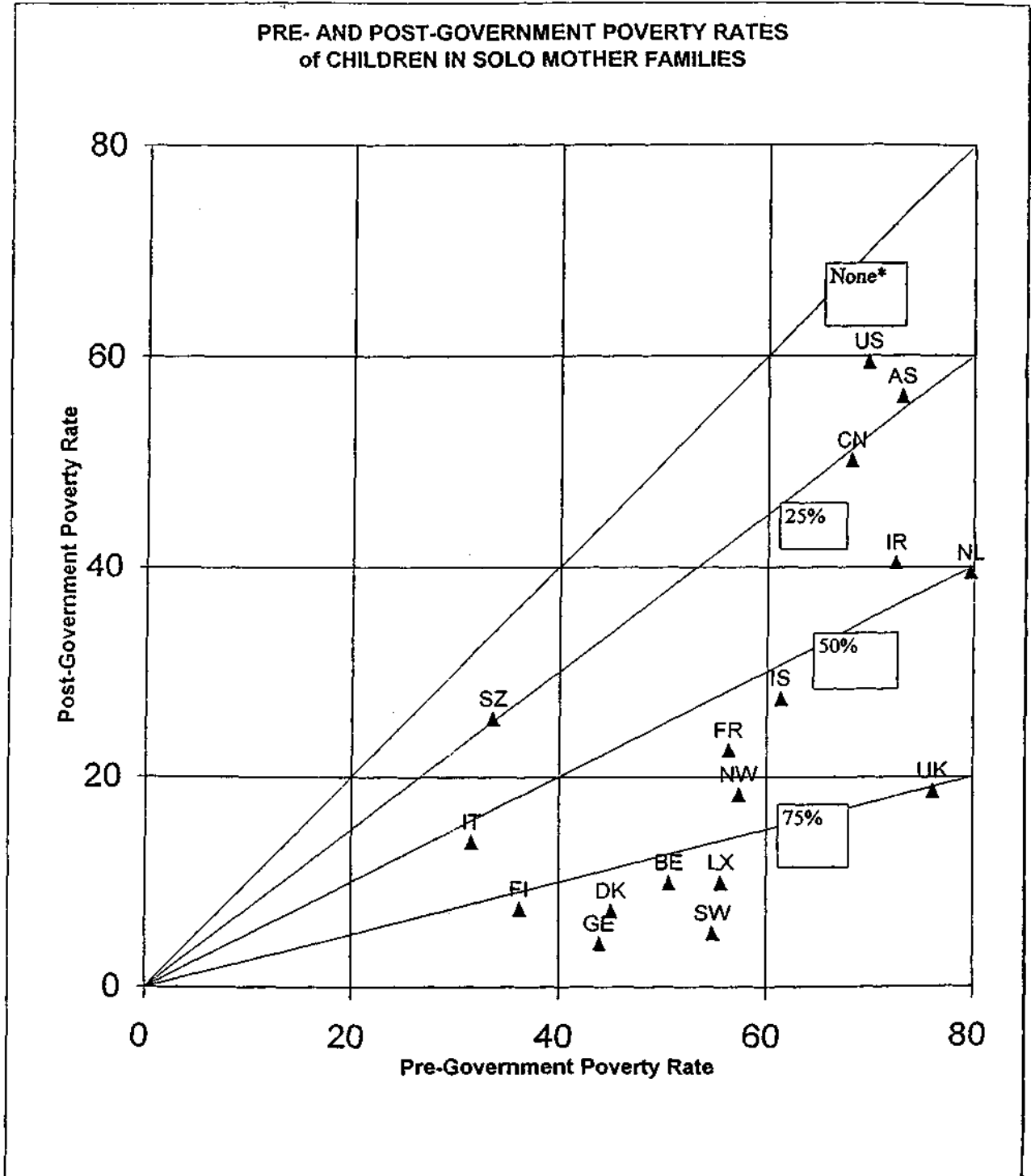
Figure 8
Real Income of Low Income Children





*Percent Reduction

FIGURE 10



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