Luxembourg Income Study
Working Paper No. 187

Does Social Policy Matter?
Poverty Cycles in OECD Countries

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September 1998

FIRST DRAFT

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POVERTY CYCLES IN OECD COUNTRIES

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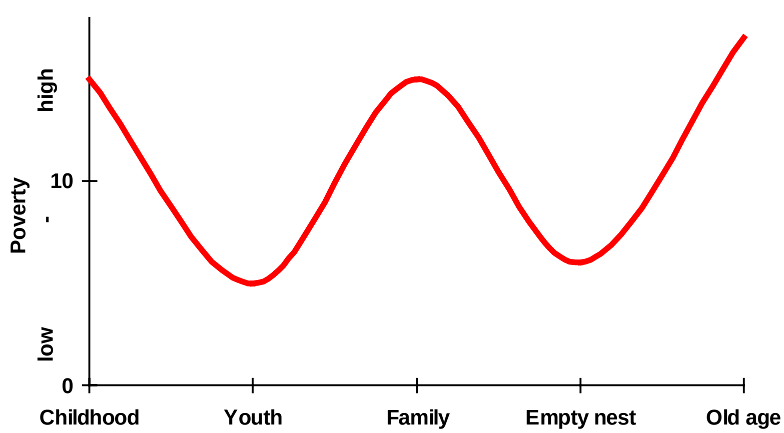
Paper to be presented at RC 19 panel on ”Rethinking Poverty: From 1966 to Today”, 14th World Congress of Sociology, Montreal, July 26th - July 1st .

Introduction

In his turn-of-the-century study on poverty in York, Seebohm Rowntree (1901) observed that poverty was linked to age and family formation in a cyclical fashion. The first poverty cycle a person experienced was ”childhood”, when his/her parents had many dependents to feed and when the earnings of one person was not enough to meet the needs of many. Poverty eased in the ”youth phase” when the young person left home and began to earn her/his own living. Economically, the situation became worse again when she/he got married and had children of her/his own. This stage of the early middle age years – the 'family phase' – continued until, again, the children grew up, began to contribute to the family income, and, then, one by one left home. An economically easier period thus started also for the parents, what we can call the 'empty nest phase'. This stage lasted until old-age brought on a lower capacity for work. Because of inadequate pension systems at the turn of the century, for most people leaving the labor force in the ”old-age phase” meant a transition to more or less persistent poverty. Figure 1 is a schematic representation of poverty in 1899 York, as observed by Rowntree, were we can see the cyclical variation in poverty levels over the life-cycle.

Figure 1. Poverty cycle in York 1899 according to Rowntree.



More recently, the relevance of Rowntree's notion of cyclical poverty for advanced industrial nations has been tested by using cross-sectional data of different types; some have relied on single-country cross-sectional data from one point in time while others have used single-country cross-sectional data from different years (e.g. Uusitalo 1988; Jäntti, Kangas & Ritakallio 1996) but the option of analyzing cross-national data on income distribution has also been explored (e.g.

Hedström & Ringen 1987; Rainwater 1998). It is evident that both the over time and the cross-national variation in poverty and inequality among different age-groups is of rather high magnitude. Which are the sources for this variation? Despite considerable research efforts not least the cross-national variation remain somewhat of a puzzle.

We have, since Rowntree's path-breaking study, experienced the emergence and expansion of welfare state programs in all of the advanced industrial nations. The development of welfare state programs have followed different traditions which have resulted in considerable institutional variation despite the commonality in terms of program existence. This suggests that social policies might be an influential source for variation in poverty, over time as well as among countries. Can a closer examination of social policy strategies help us to solve – at least part – of the puzzle of the sources to this variation?

The purpose of this paper is twofold, partly exploratory; to determine the degree to which Rowntree's poverty cycles are still apparent among the most advanced industrial nations, and partly analytical; to examine how successful different sociopolitical strategies have been in eliminating poverty over the life-cycle.

The paper seeks to make a contribution in relation to earlier studies by both examining changes within singular countries and by comparing trends cross-nationally. The option provided by the Luxembourg Income Study (LIS) to use data for different countries and different points in time has so far been used fairly seldom in comparative research. Instead, researchers appear to have been content to analyze cross-sectional data (see however Ritakallio 1994 and Haataja 1998 for exceptions). Whereas previous research has traced cyclical poverty mostly through age groups, our analysis will follow Rowntree's example and also employ a life cycle perspective. We further make an attempt to explain changes poverty, or absence of such changes, by linking them to the design and changes in the social security provisions.

For eliminating life-cycle poverty, the social policy sectors of family support policies and pension programs are likely to be of special relevance. In the following we will therefore focus our attention on family policy and pension systems in our analysis of the effects of social policy solutions on cyclical poverty. How are different types of family policy solutions helped to provide a reasonable level of income? How are differences in pension security reflected in old age poverty?

Before we go into the social policy analysis we need to pursue our exploratory aim of actually examine if the cyclical component in poverty still exists, even among the most advanced industrial nations. To set both the family phase and old-age poverty in the relevant context, we will first look at the incidence of poverty throughout the life cycle in different countries and over time.

Data and method

The data on income distribution used in this paper has, with one exception, been taken from the Luxembourg Income Study (LIS) database, which has information on household incomes from some thirty countries. For certain countries, LIS has cross-sectional data which cover quite a long period. In the case of Sweden, for example, the earliest LIS data are from the year 1967 while the most recent data are from 1992. For both Canada and the United States there are data from the early 1970's. We have for the first waves of the Finnish data (1966-1984) used the Finnish household surveys (not available in LIS) and transformed them to correspond to LIS income concepts. It has been assumed that a period of two or three decades is long enough to assess both poverty trends and the potential effects of differences in social security provisions.

In the analysis of income distribution data we have used the standard procedures. Hence, we have analyzed disposable household equivalenced income using household weights. The equivalence scale applied is what usually has been used by the OECD giving the weight of 1 to the first adult .7 to other adults and .5 for children.

We have selected countries for our analysis that represent different types of social policy models. Data on social rights have been derived from the Social Citizenship Indicator Program (SCIP) which is a data-base containing information on the development of social security programs in 18 OECD countries (for more information on SCIP, see for example Palme 1990, Kangas 1991). In this paper we will use data on old-age pensions and family support. In addition we have extracted information on child-care coverage from the OECD.

Finland and Sweden represent the so-called Nordic/Scandinavian welfare states. In the pension area, these two countries combine citizenship/residence based basic benefits with earnings related provisions. In the family policy, fairly generous cash support has typically been combined with high levels of social services – for example day-care which has permitted mothers to have a high participation rate on the labor market This applies for both single mothers and married (co-habiting) women.

Germany has been selected to represent the Central European countries where corporatist social insurance provisions have strong earnings-relatedness. In Germany there is only a legislated earnings-related pension scheme but no real basic pension. In the family support area the so-called male-breadwinner model has been applied, combining cash and fiscal benefits with heavy reliance on mothers as child carers. The Netherlands is a mix with regard to social security. In the pension policy area the statutory benefits resemble the Nordic first tier and gives high flat-rate benefits.

Australia, Canada, the United Kingdom, and the United States have commonly been lumped together to represent the so-called liberal welfare state type (Esping-Andersen 1990). However, the four countries differ from each other, not least in the pension area, to such an extent that it appears warranted to try to sort out the differences among these four countries. Australia uses means-testing in virtually all areas, except work accident insurance that is applied to employees and health care and child benefits that are universal, while, for example, child care coverage has tended to be low despite some attempts to expand these services in the early 1990s. A modest flat-rate basic pension typifies the United Kingdom but it has more recently added an earnings-related component which improves benefit levels for those who have been covered by it (or by contracted-out programs). There are universal child benefits but very poor social services for families with children reflected in low participation rates for women. The emphasis in the pension system of the United States is on a contributory benefit but ceilings are low and contrary to the German system there is a federal basic pension, albeit means-tested. There are no universal child cash benefits in the United States. Instead, fiscal benefits have been coupled with targeted programs such as AFDC. Canada for its part has created a pension security system more akin to the Nordic one than to those in the other Anglo-countries. However, the benefit levels are lower and so are the ceilings whereas means-testing is more pronounced for the supplementary basic benefits (Palme 1990). The family support in both cash and kind are closer to the other Anglo-liberal countries than to the Nordic ones.

What has just been described here is the recent formations of social security. For countries that we have data from earlier points in time for, it is also possible to examine how changes in policies have affected outcomes. This is something we will return to below.

The fact that countries have reformed their systems of social protection and also applied different strategies in this process gives us an opportunity to examine the relationship between social policy programs and welfare outcomes, in the context of the present paper we will focus on the relationship between, on the one hand, family support and pensions and, on the other hand, poverty over the life-cycle. We hence apply a form of contrafactual comparisons. What we indirectly ask is: What would happen if a country had the sociopolitical system of another country? What would, for example, Finland's poverty cycle or old age poverty be like if U.S. social policies were applied there? The kind of contra-factual comparison we engage in can, of course, not give the final answers to theses questions. The simple reason is that the incidence of poverty is affected not only by social policies as such, but also by many demographic and behavioral factors as well as by differing socio-economic structures. What we will argue, however, is that we can get indications of where and how social policies have the potential of ameliorating poverty.

Age-related poverty cycles

Earlier comparative studies based on cross-sectional data (e.g. Hedström & Ringen 1987) have observed that age differences in poverty has evened out in many countries for which LIS data exist. However, the differences between countries are substantial. Table 1 presents poverty rates for a selected number of countries by age groups. In order to assess how sensitive the results are to the different poverty thresholds, three different poverty levels will be used: 40, 50, and 60 percent of the median income.

The 40 percent poverty threshold used in the table produces very similar profiles of poverty by age-groups for all countries. Low incomes in all countries are most common in the age group below 25 years, for which an explanation might be that many in this group are still students. In the Swedish case, we have a measurement error related to the fact that the data is organized according to the tax record. In these records all persons above 18 form households of their own even if they live with their parents. This leads to misleadingly high levels of poverty reported for Sweden. In the older age groups, poverty rates even out at a certain level, and no dramatic differences are apparent between the different age groups. The United States differs from other countries first of all in that the poverty cycle flattens out only after the age of 40. Also, even with the low 40 percent poverty threshold, the incidence of poverty is much higher in the United States. This indicates problems of actually providing an accurate basic safety net in the United States. In Europe, and especially in Finland and Sweden, there is obviously a greater success in the war on poverty, at least as measured with the 40 percent of the median poverty-line.

TABLE 1. Poverty according to age, poverty line 40 %, 50 % and 60 % of the median income

	The Netherlands 91			**Australia 89**			**UK 91**			**Canada 91**		
AGE	**40%**	**50%**	**60%**	**40%**	**50%**	**60%**	**40%**	**50%**	**60%**	**40%**	**50%**	**60%**
-24	11.0	18.7	29.0	12.1	18.1	25.3	14.5	28.8	38.2	17.0	25.4	34.5
25-29	2.1	4.3	7.5	7.7	12.0	19.1	7.3	16.4	24.1	8.1	14.6	21.0
30-34	4.3	7.3	13.7	6.4	11.8	20.4	6.8	13.8	20.8	7.5	13.1	19.3
35-39	3.2	5.6	11.0	6.2	10.5	18.1	6.0	15.7	24.9	5.9	11.6	17.0
40-44	2.0	3.7	7.3	7.2	11.1	16.5	5.0	9.6	15.9	6.1	10.9	15.7
45-49	2.7	3.2	7.6	2.8	6.7	11.7	3.7	7.6	12.9	3.2	8.7	12.6
50-54	1.4	1.7	8.7	4.1	6.1	10.3	4.0	9.2	13.9	3.4	7.3	9.5
55-59	1.1	2.2	5.7	4.4	8.8	13.9	6.0	12.7	16.8	4.9	8.9	13.1
60-64	4.4	5.3	10.4	3.0	6.8	16.0	9.3	9.7	14.5	5.8	10.4	18.4
65+	1.7	2.5	3.3	3.1	6.1	23.4	2.0	11.1	25.7	0.8	2.6	6.6

	Sweden 92			**Germany 89**			**Finland 91**			**USA 91**		
AGE	**40%**	**50%**	**60%**	**40%**	**50%**	**60%**	**40%**	**50%**	**60%**	**40%**	**50%**	**60%**
-24	23.2	29.1	35.7	19.3	26.9	31.8	11.1	17.4	27.9	27.0	37.4	49.1
25-29	1.2	3.0	6.4	5.6	7.8	12.1	1.1	3.3	5.6	17.3	26.2	34.0
30-34	2.9	4.4	9.1	1.0	4.4	9.8	1.3	3.3	6.9	15.6	22.7	29.7
35-39	1.4	3.6	8.5	1.6	5.0	11.7	0.7	1.9	5.7	9.8	17.4	23.8
40-44	2.0	2.9	5.3	2.6	4.3	13.8	1.9	4.3	8.2	8.0	12.3	18.6
45-49	1.1	2.3	5.5	1.8	5.3	9.5	1.5	3.2	7.7	9.1	12.4	18.1
50-54	1.9	3.3	5.0	3.7	5.8	9.0	2.6	3.7	7.5	8.7	12.3	16.8
55-59	1.3	1.8	3.3	2.8	9.1	14.5	1.5	3.4	6.6	10.5	15.1	18.6
60-64	1.3	2.3	4.1	5.0	7.8	13.3	1.0	4.3	9.5	9.8	13.1	18.5
65+	0.6	1.8	7.6	3.7	5.7	10.4	0.5	3.9	15.1	7.0	14.1	23.3

In the middle panel in Table 1, the poverty level has been raised to 50 percent of the median income for the whole population, and interesting differences begin to emerge between countries, or, rather, groups of countries. The Anglo-American countries form a group of their own on the basis of the high rates of poverty in the age group below 45. A different group consists of the Netherlands, Finland and Sweden, where the poverty rate – with the youngest age groups excluded – remains below five percent. It is interesting that in Canada, poverty among old people is about as low as it is in the three above mentioned European countries with low poverty rates.

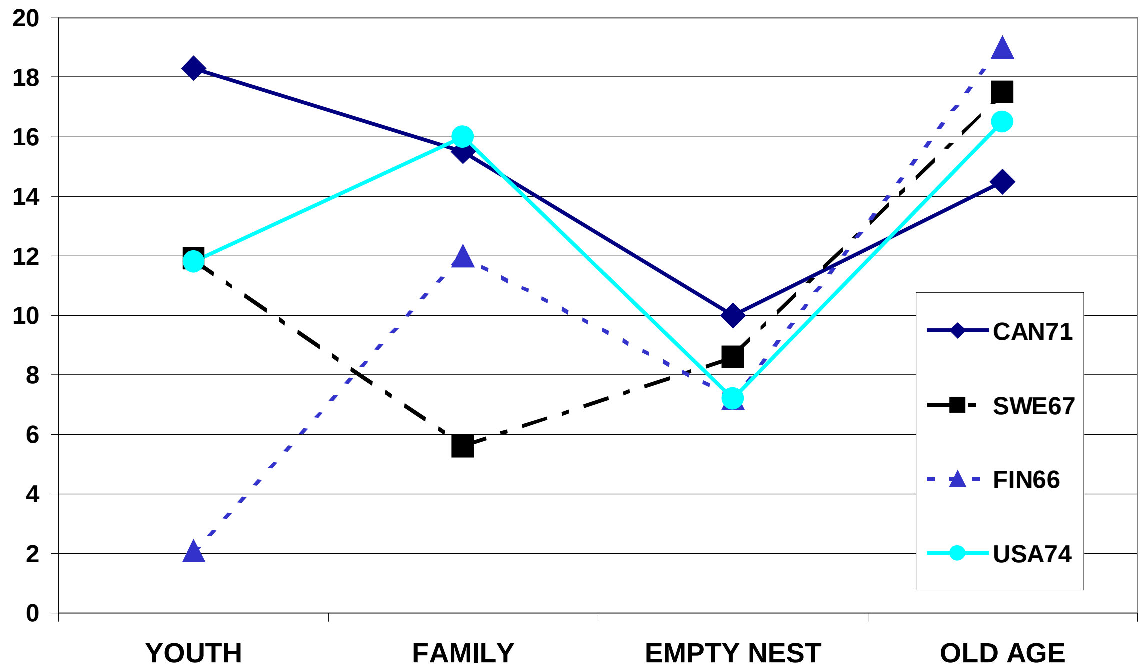
Raising the poverty threshold to 60 percent changes the situation somewhat, and now a certain amount of cyclical pattern begins to be seen in some countries. Rowntree's home country, the United Kingdom, appears particularly haunted by age-related poverty. The threesome of Sweden, Netherlands and Finland does relatively well in this comparison. Finland's situation changes in so far that with this poverty measure, old age poses a poverty risk. A comparison of the 40 percent and 60 percent threshold poverty for old people indicates that in Finland, pensioners have a fairly strong basic security, but that the level is not particularly high. Finland is more similar in this respect to The United Kingdom than to the Netherlands or Sweden which seem to guarantee much better pension security. Canada is an interesting case as far as poverty of people over 65 is concerned, their poverty levels is very low in comparison to the younger age groups. This further indicates that lumping together of all Anglo-American countries in the so-called liberal welfare state model, typified by underdeveloped social security and a high incidence of poverty, is not altogether justifiable. There is reason to give special attention to Canada in this respect.

Life-cycle related poverty cycles

Rowntree's concept of cyclical poverty is not really linked to age but rather to the different phases of family formation. To sharpen the picture we hence wish to examine how the different stages in the life cycle are connected to poverty in different countries. The life stage variable in Figures 2 and 3 was constructed on the basis of age groupings and information on the family status in such a way that the first life stage group consists of under 25-year-olds without children. This group is designed to represent Rowntree's young adults, who are expected to do well economically. The following group consists of people between 25 and 44 years of age who have children living with them. This phase is representative of the family stage in Rowntree's poverty cycle. The prosperous empty nest period is set between the ages 45 and 64. In most countries 65 is the general retiring age, it therefore seemed straightforward to set that as a starting point for the old age phase. To investigate change, the early LIS data from the 1960's and 1970's – displayed in Figure 2 for those countries for which LIS data are available (Canada 1971, Finland 1966, Sweden 1967, and the United States 1974) – can be contrasted to the most recent data from the early 1990's. We have, as is evident from Figure 3, been able to include more countries (in addition the countries mentioned above, Australia Germany, the Netherlands, and the United Kingdom) for the latter observation period.

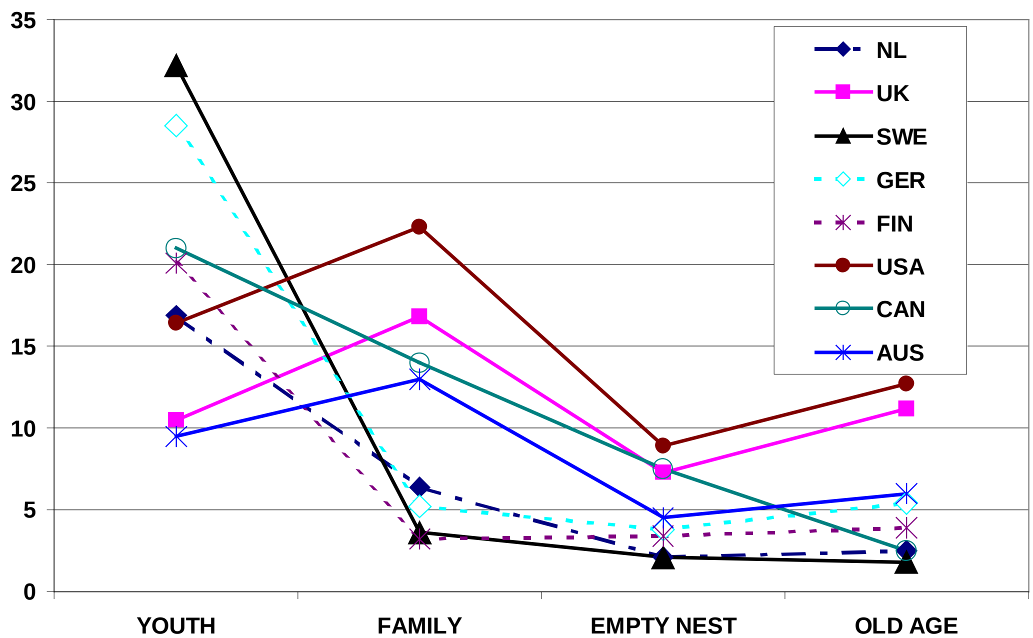
Figure 2 shows that a quarter of a century ago, the poverty risk in all countries varied a great deal depending on the life stage. The United States and Finland exhibited a pattern fairly identical with Rowntree's. Poverty was not very common in the early adulthood but rose after the birth of children, to go down again after the children left home. Old age in all countries was a period of low incomes. Development in Sweden went its own merry way, following a low U-curve (but remember the measurement problem of young persons living with their parents). It is interesting to note that the Nordic countries did not differ from others as regards old age poverty. However, already at that time, families with children were less haunted by poverty in Sweden and Finland than in Canada and the United States.

FIGURE 2. Life cycle and poverty in the 1960s and 1970s.



Coming to the 1990's (Figure 3), we see that the U.S. curve have remained essentially the same, with the exception that the young and families with children are doing relatively worse, whereas the elderly are a little less badly off than previously. The relative circumstances of the young and of families with children have dipped considerably; the poverty rates of the elderly have gone down a little. The United Kingdom continues to be faithful to the Rowntreean pattern. Cyclical poverty in Canada is most linear (!): highest among the young, and lowest among the elderly. There is reason to emphasize that in all Anglo-American countries, family constitutes a serious poverty risk. This is obvious when comparing 25 to 44 year olds' childless households (not displayed in the figure) to families with children. In the United States, the poverty rate of childless households was only 6.6 percent, whereas as many as 22.3 percent of the families with children were categorized as poor. In The United Kingdom, the corresponding figures were 3.6 and 16.8 percent; in Canada, 6.9 and 14.0 percent. That Finland and Sweden have about the same poverty rates in both of these groups (3.2 percent) seems to indicate that family policies do make a difference (c.f. Forssén 1998, Jäntti 1995).

FIGURE 3. Life cycle and poverty in the beginning of the 1990s



The discussion of trends has already shown that poverty among the elderly is more clearly common in the United States and in the United Kingdom. Is it that the pension policies in the Netherlands, Canada, and the Nordic countries have improved the economic standards of the elderly in relation to the working population? This is the question we will return to below in more detail. However, before we go into the pension policy we will briefly discuss family support and family poverty.

Family policy and family poverty

The introduction of public family support has been based on different motives and found different forms (e.g., Wennemo 1994). An important motive has been to combat poverty among families with children. Here we can identify two different means. One way is to give families more cash by directly paying benefits. Another way is to enhance the earnings capacity of families by providing public subsidies to child care, thus making it possible for single-parents to earn market income or for two-parent families to have a second earner.

Table 2. Family support in 8 OECD countries. Child benefits in cash, as percent of an average wage in manufacturing and an index of the coverage of publicly subsidies day-care for pre-school children

	Child benefits in cash		Child care coverage index
	1970	*1990*	*1990*
Australia		5	2
Canada	3	4	5
Finland	6	12	29
Germany		7	2
Netherlands		13	2
Sweden	10	13	30
United Kingdom		9	2
USA	0	0	1

Table 2 gives some data about the provisions of cash benefits and provision of day-care services for children in pre-school ages. The numbers reflect the size of benefits going to an average production workers family and are expressed as a percentage of post-tax income. It turns out that that in 1990, differences are quite large between the countries in our study. Direct child benefits are on about the same high level in Finland, Sweden and the Netherlands, whereas the United Kingdom, Germany, Australia and Canada pay benefits on a lower level (in descending order). The United States did not pay child benefits except for targeted provisions. For the four countries which we have poverty data from earlier points in time, Table 2 gives the size of benefits for that time point. It turns out that the support for families has a tendency to increase, and most clearly so in Finland. However, the improvements are on average smaller than those recorded on the pension side.

When it comes to the provision of day-care services available statistics we have access to refer to 1990 and show that Finland and Sweden are much ahead of the other countries. Differences among the other countries are small, even if Canada is a little ahead of the other countries and the United States comes out with the lowest level. In the cases of Finland and Sweden it is evident that the big expansion of child care services occured after 1970 which is relevent for the over time reduction of poverty for families with children.

When comparing the levels of support to families with the poverty levels for families with children, the correspondence is striking. For the first observation period (60/70s) the rank order is perfectly inverse to the level of cash benefits. In the 1990s, countries awarding high support have lower poverty rates than countries with low benefits (see also Forssen 1998). If anything, the economic situation of families with children appears to be improved. Germany is a deviant case in the sense that we would expect higher poverty from the rather medium family support levels.

Pension policy and old-age poverty

A quarter of a century ago, poverty among old people in the Nordic countries was not significantly lower than in Canada and the United States, which have traditionally been considered laggards in social policy development. By the beginning of the 1990's, the situation had changed fundamentally. The poverty rate in the Nordic countries – over 15 percent in the mid-1960's – had fallen to below five percent. In Canada, too, poverty among retirees had been almost eliminated. South of Canada in the United States, however, there was not much change in this respect, and also in the United Kingdom, reaching retirement age adds to the poverty risk. In other countries there is little difference between pensioners and the active population at the 40 and 50 percent poverty levels. With these fairly wide-ranging differences between countries, the central sociopolitical question is to what degree these differences may be explained by structural differences in pension policies.

There are two defining features of pension policies. The first essential issue is the degree of coverage, i.e., whether all people over retiring age are in fact entitled to pensions; the second is the level of pension benefits in relation to the general income level. We will be investigating both of these issues in the following. The data on coverage and replacement levels are from the data-base of the Social Citizenship Indicators Project (SCIP).

The data displayed in Figure 4 on pension security coverage between 1965-1990 shows the percentages of those over normal pension age who receive a statutory pension. In Finland and Sweden, pension coverage has been universal throughout the observation period. More surprisingly, perhaps, the same is true for Canada. This is in the spirit of the “people’s insurance”, i.e. everybody should get a benefit. In practice, the Netherlands have the same kind of residence based pensions. However, until 1985 married women did not have the same kind individual rights as unmarried women and men. In the United Kingdom, pension coverage comes rather close to the two Scandinavian countries, and in Germany, pension coverage has been gradually widening to include, directly or indirectly, most of those above 65. For a short period of time, Australia gave up means-testing and extended the benefits to all those over 65. By the mid 1980s, however, the old income-testing practice was re-established, with the result that about 40 percent of the Australian population above pension age did not receive statutory pensions. In this respect, the situation in the 1990s appear to be the same as in the mid 1960s.

FIGURE 4. Coverage of pension schemes (%) 1965 and 1990.

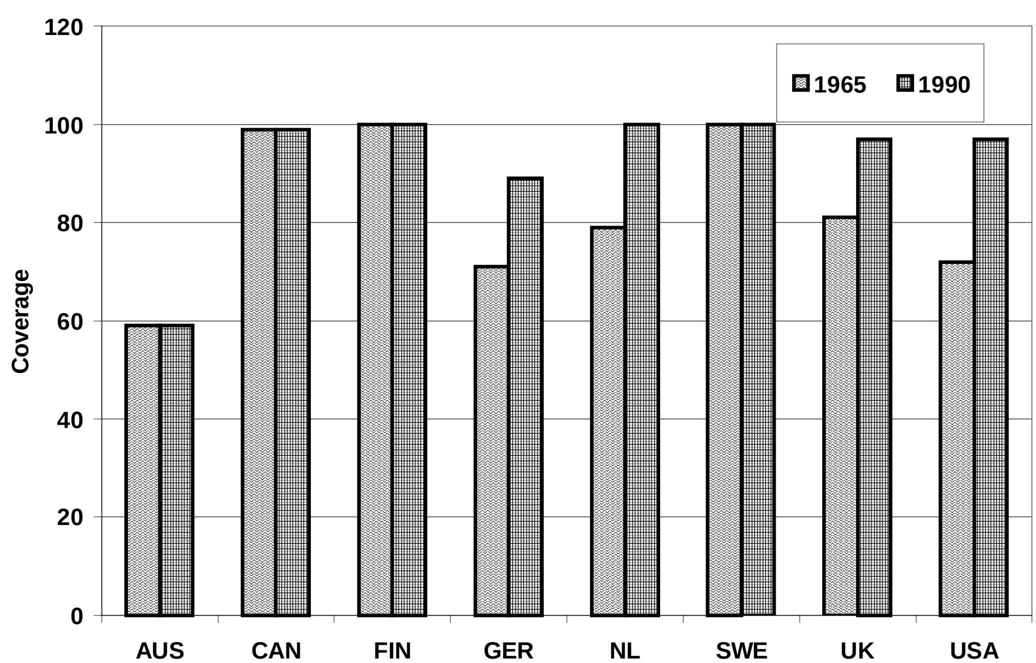
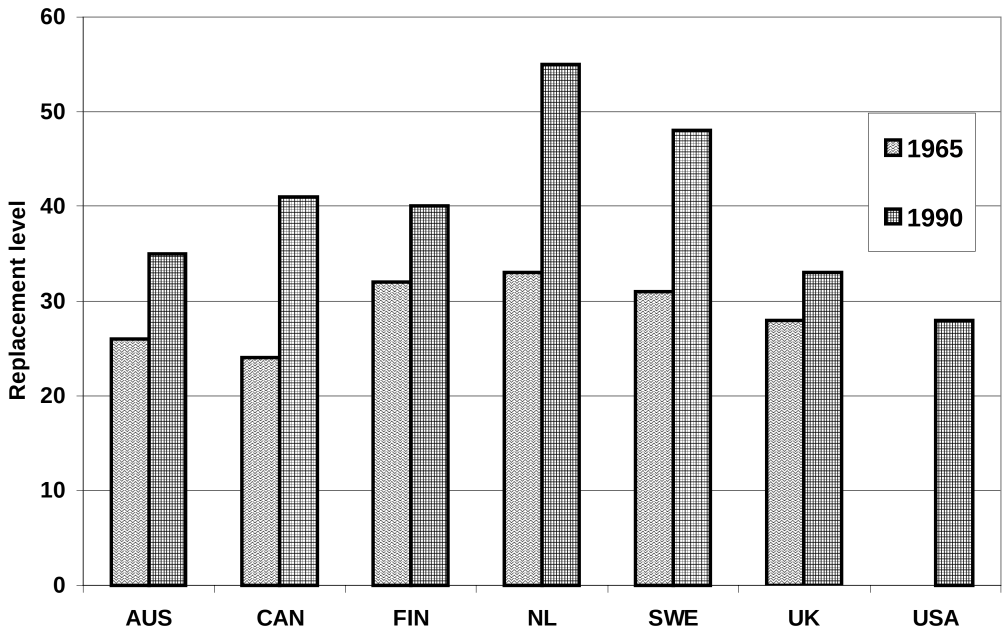


Figure 5 shows the level of basic, or minimum, pensions in relationship to the average net wage of an industrial worker. What we here are intrested is the kind of benefits provided to persons without contribution records, the floor of the pension systems and what is most interesting in terms of combatting poverty. We are including both benefits awarded on the basis of citizenship/residence and benefits paid after income-testing as long as they are call old-age pensions. As pension security in Germany is determined entirely by the contribution record of a person or his/her spouse, Germany has not been included in this comparison (see Figure 6 and below for information on contributory pensions) . Over time, replacement levels have been improved in all the countries included in Figure 5. Yet, differences remain rather big in 1990. The minimum pensions are highest in the Netherlands. Sweden ranks ahead of Finland and Canada, in that order. Australia provided higher replacement levels than both the United Kingdom and the United States.

In the previously discussed figures on poverty cycles, the incidence of poverty among the Canadian elderly is strikingly low. In fact, the more or less universal basic benefit (citizenship based minimum pensions topped up with income-tested supplements) has continued to increase in relative value already since the 1960's. By the beginning of the 1990's, it had almost reached the level of the Finnish minimum pension. This is reflected in the continuously decreasing incidence of poverty among the elderly: in 1971, 16.2 percent; in 1987, 5.7 percent; in 1991 only 2.6 percent. This Canadian achievement in pension security is an excellent example of how poverty can be abated through social policies. Yet we should remember that there is always an element of arbitrariness involved in the excercise of drawing a poverty line. A small increase or decrease in flat-rate minimum pensions migth have very large effects on poverty rates if the benefit levels are close to the poverty line.

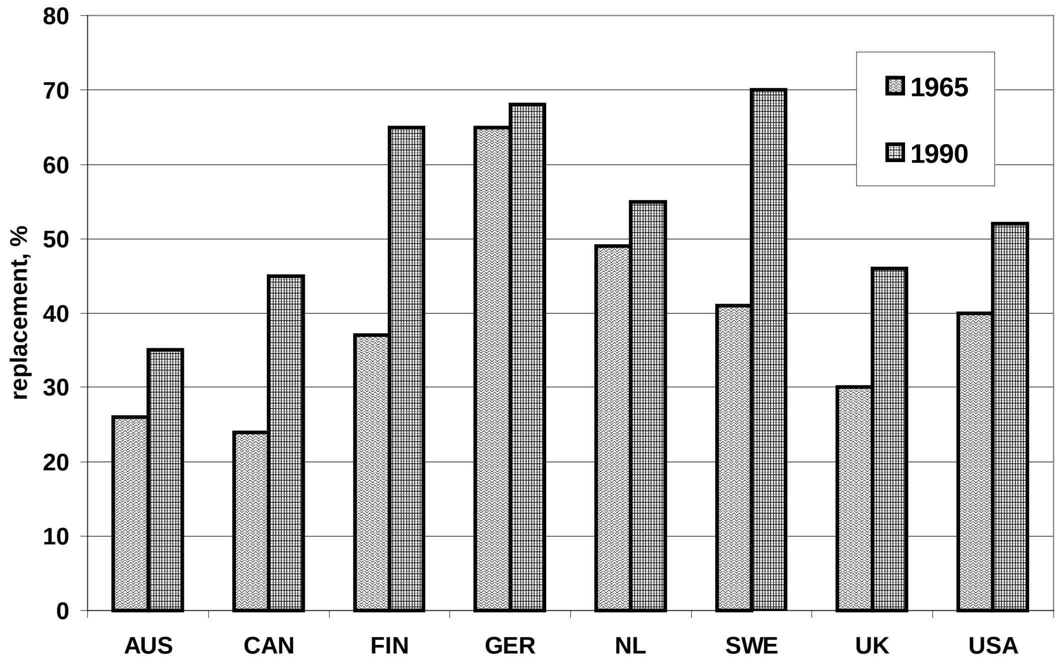
FIGURE 5. Basic pension, % of average net wage 1965 and 1990.



The British experience also shows that universality is not enough; pensions must also be big enough to raise the elderly above the poverty line. The poverty cycles shown in Figures 2 and 3 are a clear illustration of the problems of the British pension system. The benefits have been set to levels that guarantee a level of income just above 40 percent of the median national income level. By this measure, the poverty rates of the British elderly are not dissimilar to, say, the Nordic rates. However, using the 50 and 60 percent poverty thresholds, the situation is noticeably different. On the 60 percent level, poverty among the British elderly is worse than in any other country in this comparison.

Figure 6 is a comparison of work pensions, assuming a full 40 years contribution record, for the period between the mid 1960s and 1990. Pension security has been calculated for a person who has been employed for 40 years at an average wage level for production workers in manufacturing. As the figure shows, the replacement value of work pensions is the highest in Sweden, Germany and in Finland. The earnings-related pensions in both the United Kingdom and the United States have climbed up towards the level of the flat-rate system in the Netherlands. Replacement levels in Canada's earnings-related pension system have also been growing steadily but have not reached above 50 percent of an average wage.

FIGURE 6. Work merit pension, % of net wage 1965 and 1990



The significance of basic security becomes most clear when it comes to the poverty levels of 40 and 50 percent of the median income. The work pension, on the other hand, will probably be more important for poverty levels recorded at the 60 percent level. It can be assumed that poverty would be most apparent at the 60 percent level in the countries with a high pension security, and to some degree this indeed seems to be the case. Poverty is highest in Australia, the United Kingdom and the United States (Table 1), where work pensions are least generous. The high poverty threshold has the least effect in the Netherlands, which on the basis of Figure 6 can be considered a somewhat surprising result, as Dutch work pensions are not particularly good. The Dutch case is special since the low prevalence of two earner couples brings down the relative economic standards of the working aged population. Hence, even a modest pension, compared to regular earnings, would bring an elderly person above the standard poverty lines at 40, 50 or 60 percent of the median income. Part of the explanation is also that Figure 6 only shows legislated pensions. All private pension insurance and supplementary pensions based on collective agreements have been excluded from this comparison, which are very common in, for example, Canada, would help to bring down the poverty figures (see Esping-Andersen 1990). This means that for example the very highly developed agreement-based ”occupational” or ”private” pension security schemes in the Netherlands will remain outside the scope of this study (as they also remain outside all official social expense statistics). Occupational pensions, however, do lower the incidence of poverty just like the legislated pensions do, and are therefore of relevance for the poverty cycles. Thus, to get an accurate assessment of the impact of statutory pension programs it is necessary to take private, individual as well as collective, pension programs into consideration.

Social policies do make a difference

In the sociological and historical discourses on the driving forces behind the development of welfare states, the effect of politics has been a much debated subject. A main theme in the discussion has been whether politics makes a difference ("Does politics matter?"). Following along those lines, our point of departure for this paper was, "Does social politics matter?" for poverty.

Figure 7. Rowntree's poverty cycle in York 1899; early 1990's cycle in Scandinavia and the United States

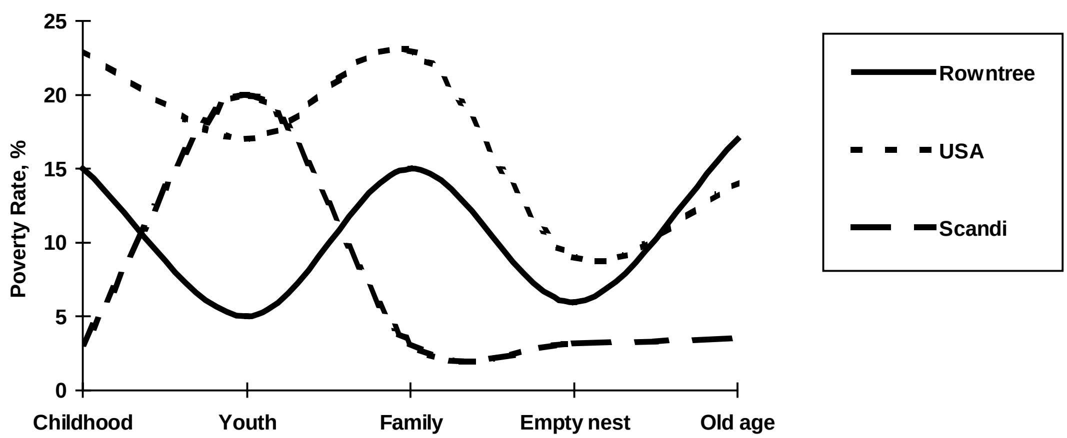


Figure 7 is a summary of the basis for and central results of this study. The "Scandi" curve for 1990 in the diagram represents the Nordic and Central European situation, whereas the United States to a large degree depicts Anglo-American realities. This study sought first to examine possible reconfigurations of the poverty cycle (Rowntree's cycle) in some OECD countries. In the 1960's, cyclical poverty was still a fact of life: poverty was rare among young people with no children; families with children had great problems with subsistence; the somewhat older working age people in "empty nests" lived quite well; and the elderly were approaching the twilight of their lives in poverty. The stages of poverty were not far apart from what they had been in York at the turn of the century (see Rowntree's cycle in Figure 7).

Improved social policies in all countries have had effects on poverty cycles. In most countries, the young have replaced the old as the lowest income group. Persistent poverty of the latter years is gone; passing poverty of early adulthood has arrived. Also, in many countries the cycle of poverty has flattened out, and the life stages are no longer significantly different. Some systematic differences, however, remain between countries. High poverty rates among families with children continue to be an Anglo-American problem, as very little improvement in this area has taken place through the years. The results on the situation of the elderly indicate first of all that poverty rates have gone down in all countries, as pension systems have matured and benefits have been improved for other reasons. There has obviously been a general willingness to do something about the problems of retirees through political means but, for some reason, the situation of families with children has not generated similar mobilization. Second, the kinds of pension policies different countries pursue make for differences in the poverty profiles of the countries. In the 1960's, for example, the incidence of poverty among the elderly was about the same in both the Nordic countries and the United States. Three decades later, there is a marked difference. The explanation in this case is straightforward, the reason is to be found in the pension policies. While the Nordic countries and Canada have made considerable improvements in their pension policies since the 1960's, nothing comparable has happened in the United States.

Discussion

The statistics presented in this paper have shown that the kind of life-cycle poverty identified Rowntree almost a century ago can still be observed among the most advanced industrial nations. Yet it is evident that the old cycles have been affected in all countries over the most recent decades but to very different extents. There has been a universal decline in poverty among the elderly. However, the differences are still substantial. In some countries, primarily the Nordic, poverty among families with children has also gone down and is now on the levels of families without children.

A partly new phenomenon is that high rates of poverty have been registered among young adults. This might partly have to do with the expansion of higher education, which in welfare terms is not very problematic, but high unemployment rates have also made it more difficult for young people to enter the labour market. However, we are also struggling with evident measurement problems in this context which makes it difficult to draw any conclusions at this point.

When it comes to the analytical purpose of this paper, that of assessing the impact of social policy on poverty cycles, it goes without saying that we, at this stage of the analysis, should interpret the results with great caution. However, at face value the results are quiet persuasive. What our results show is that when we compare poverty rates there are clear indications that social policy provisions are important for explaining both the cross-national and over time variation in poverty. The clearest impact is found in the pension area. It turns out that in countries where the right to a basic pension is based on citizenship/residence, poverty among the elderly is virtually non-existent, at least with the kind of measurement that we have used here. When it comes to the 'family phase', there appears to be an important potential for reducing poverty by combining cash beenfits with public child-care services that increase the earnings capacity of both single parents and couples.

A critique of conventional income distribution research is that it is based on cross sectional data and that it ignores the life cycle perspective. We have to some extent addressed these issues although in a synthetic by grouping the observations according to a life-cycle perspective. It can also be argued that life-time income is not the only relevant income-concept. Years of plenty cannot fully make up for years of poverty, especially if we consider the position of children. Children do not choose to be born by poor parents but if they are they simply do not get the same life-chances.

Comparative research on the driving forces behind the variation in social policy design has shown that politics matter for the design of social policies (e.g., Korpi 1989, Esping-Andersen 1990, Palme 1990, Kangas 1991, Wennemo 1994). What this hence boils down to is that; the eradication of poverty to an important extent is a matter of political choice. Rowntree made his first study at the past turn-of-the-century. As we now are approaching a new turn-of-the-century, the time has come to reflect on past achievements in the war on poverty in order to be successful in the coming battles.

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