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Government Programs and Social Outcomes: The United States in Comparative Perspective

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I. Introduction

The United States has a long tradition of measuring income poverty and income inequality and weighing the effectiveness, successes, and failures of government policies aimed at poverty reduction. In our own way, we have created a unique set of social polices that support widely held values and provide both stories of success and failure in reaching goals of poverty reduction and improved social outcomes for all Americans. But still our idiosyncrasies leave many questions to be answered.

One can ask, in fact, have Americans left 'No Child Behind'? And the answers depend very much on to whom one asks and where one looks for evidence. One can find claims that the 1996 Welfare Reform Act is a major 'accounting' success story, with the AFDC/TANF (Aid to Families with Dependent Children/Temporary Assistance for Needy Families) caseloads falling from over 5.0 million units in 1994 and 4.5 million in 1996 to 2.0 million cases (and less than 5.0 million persons) by June 2003, less than one-third of the 6.9 million units that benefit from the SSI program, which is up from 5.9 million recipients over this same period (U.S. Department of Health and Human Services 2003; Social Security Administration Office of Policy 2003; Smeeding 2001). The question of whether and to what extent this dramatic change in caseloads has provided better outcomes for those who have entered or left each program is also widely debated. And even in areas where the case for policy success seems overwhelming, e.g., the dramatic decline in poverty among the aged over the last half century, there is still room for serious policy debate over the remaining poor elders and their future prospects for better conditions under impending Social Security reform.

For the most part, these examinations of domestic policy are inherently parochial, for they are based on the experiences of only one nation in isolation from the others. The estimation

of cross-nationally equivalent measures of poverty and the comparison of programs that support these groups, provide a unique opportunity to compare the design and effectiveness of American social policy and antipoverty policy with the experiences of other nations. The Luxembourg Income Study (LIS) database, which undergirds this paper, contains the information needed to construct comparable poverty measures for more than 30 nations. It allows comparisons of the level and trend of poverty and inequality across several nations, along with considerable details on the programs and polices that in large part produce these outcomes. In this paper we use cross-national comparisons made possible by the LIS to examine America's experiences in fighting poverty in the face of substantial and growing inequality, in a cross-national context. In so doing, we compare the effectiveness of United States anti-poverty policies to those of similar nations elsewhere in the industrialized world.

If lessons can be learned from cross-national comparisons, there is much that can be learned about antipoverty policy by American voters and policymakers. While every nation has its own idiosyncratic institutions and polices, reflecting its values, culture, institutions, and history, wide differences in success and failure are evident from the comparisons which follow. Previous research has shown that the United States has one of the highest poverty rates of all the 30 rich countries participating in the LIS, whether poverty is measured using comparable absolute or relative standards for determining who is poor, and despite the fact that (with the exception of tiny Luxembourg itself), the United States is the richest of all nations on earth (Smeeding and Rainwater 2004; Smeeding, Rainwater, and Burtless 2001).[1]

While all nations value low poverty, high levels of economic self-reliance, and equality of opportunity for younger persons, they differ dramatically in the extent to which they reach these goals. Most nations have remarkable similarities in the sources of social concern within

each nation—those of births outside of wedlock and lone parent families; older women living alone; high unemployment; immigration pressures; low wages; and the sustainability of social expenditures in the face of rapid population aging. They also exhibit differences in the extent to which working age adults mix economic self-reliance (earned incomes), family support, and government support to avoid poverty.

This paper is designed to examine these differences in greater detail. We begin by reviewing international concepts and measures of poverty, as they relate to the main measures of income and poverty used in domestic United States discourse. In so doing, we examine basic differences in aggregate measures of well-being and social expenditure, while also identifying a number of criteria that we can use to examine the success and failure of antipoverty policy in a cross-national context. Next, we present cross-national estimates of both absolute and relative well-being for several subgroups of the population, including the elderly and different types of families with children. Measures of both poverty and inequality are presented and the comparative results are noted. After examining the level and trend in poverty rates, we explore some of the factors that are correlated with national poverty rates and examine the effectiveness of government programs aimed at reducing poverty and equalizing opportunity. Specifically, we examine the effects of work, education, family structure, and social policy in achieving these outcomes. In examining these findings, we use the criteria of adequacy, self-sustainability, and cost effectiveness to identify promising international lessons for the United States. We conclude with a discussion of the relationship between policy differences and outcome differences among the several countries, and consider the implications of our analysis for research and for antipoverty policy in the United States.

II. Cross-National Comparisons of Poverty and Inequality: Methodology and Measurement

Differing national experiences in social transfer and antipoverty programs provide a rich source of information for evaluating the effectiveness of alternative social policies. As hinted above, policymakers in the industrialized countries share common concerns about social problems such as poverty, and social exclusion. While poverty measurement is an exercise that is particularly popular in the English-speaking countries, and more recently in Europe, most rich nations share a concern over distributional outcomes and the well-being of the low-income population. Few Northern European and Scandinavian nations calculate low income or poverty rates, however. Most recognize that their social programs already ensure a low poverty rate under any reasonable set of measurement standards (Björklund and Freeman 1997).[2] Instead they concentrate their efforts on social exclusion, mobility, and inequality (e.g., Atkinson, et. al 2002; Erikson and Goldthorpe 2002).

While there is no international consensus on guidelines for measuring poverty, international bodies such as the United Nations Children's Fund (UNICEF), the United Nations Human Development Report (UNHDR), the Organization for Economic Cooperation and Development (OECD), the European Statistical Office (Eurostat), the International Labor Office (ILO) and the Luxembourg Income Study (LIS) have published several cross-national studies of the incidence of poverty in recent years. The large majority of these studies are based on LIS data.[3]

Measurement Issues

There is considerable agreement on the appropriate measurement of poverty in a cross-national context. Most of the available studies and papers share many similarities that help guide our research strategy:

- For purposes of international comparisons, poverty is almost always a relative concept. A majority of cross-national studies define the poverty threshold as one-half of national median income. In this study, we use the 50 percent of median income to establish our national poverty lines. We could have selected 40 percent of national median income as our relative poverty threshold because it is closest to the ratio of the official United States poverty line to median United States household (pre-tax) cash income (42 percent in 1998 and 2002)[4], but we have decided to stay with the conventional level. Alternatively, the United Kingdom and the European Union have selected a poverty rate of 60 percent of the median income (Atkinson, et. al 2002; Bradshaw 2003). The results we show at the 50 percent poverty standard can be generalized to the lower poverty standard of 40 percent (see Burtless, Rainwater, and Smeeding 2001). The differences between the United States and other nations are much larger at the 60 percent of median line, which is about 45 percent above the United States poverty line.

- While the United States likes to think of itself using an "absolute" poverty measure, there is no one absolute poverty measure. All poverty measures are, in some sense, relative and are chosen to be appropriate for the context in which they are used. The World Bank defines poverty in Africa and Latin America using an income threshold of $1 or $2 per person per day, and in Central and Eastern Europe a threshold of $2 or $3 per day (Ravallion 1994, 1996). In contrast, the absolute United States poverty line is 6 to 12 times higher than these standards and the European poverty line is almost 50 percent higher than the United States line. To satisfy the desire for "real income" comparisons, we instead turn to measures of the real living standards of persons in each nation.

- To estimate real living standards in different countries, researchers must convert national currencies into units of equal purchasing power or "purchasing power parity" (PPP) exchange rates for the currencies (Summers and Heston 1991; OECD 2003). PPP exchange rates were developed to permit accurate comparison of gross domestic product across countries rather than incomes or consumption of lower income households. This means that, even though PPPs are appropriate for comparing national output or output per capita, they are less appropriate for establishing consistent income differences across nations (see also below).[5] Moreover, construction of PPP adjusted levels of living across countries are problematic, because the results are sensitive to the quality of the microdata and to the specific PPP that is chosen. Our estimates of real income distributions are based on a single set of PPP rates, the most recent set benchmarked by the OECD for year 1999, extended back or forward to cover the period from 1997 to 2000. We use the OECD estimates of PPP exchange rates to translate household incomes in each country into 2000 United States

dollars adjusted for family size (using an equivalence scale that is equal to the square root of household size) and then compare income distributions for different household types relative to the United States median disposable income per equivalent person. For 2000, this figure is $24,416 per equivalent United States person.

- Poverty and income measurement is based on the broadest income definition that still preserves comparability across nations. The best current definition is disposable cash and noncash income (DPI) which includes all types of money income, minus direct income and payroll taxes and including all cash and near cash transfers, such as food stamps and cash housing allowances, and refundable tax credits such as the earned income tax credit (EITC)**.**[6,7] In determining the antipoverty effects of social transfers and tax policy, we also use a measure of "before tax and transfer" market income (MI), which includes earnings, income from investments, private transfers, and occupational pensions. In tracing the effects of income transfer policy from MI to DPI poverty, we determine the effects of two bundles of government programs: Social Insurance and Taxes (including all forms of universal and social insurance benefits, minus income and payroll taxes) and Social Assistance (which includes all forms of income- tested benefits targeted at poor people, including the EITC). Again, in making these comparisons for all persons and for groups, we use one set poverty line, half of median DPI, for all persons throughout.[8]

- For international comparisons of poverty, the household is the single best unit for income aggregation. It is the only comparable income-sharing unit available for most nations. While the household is the unit used for aggregating income, the person is the unit of analysis. Household income is assumed to be equally shared among individuals within a household. Poverty rates are calculated as the percentage of all persons of each type who are members of households of each type with incomes below the poverty line. In some cases we also calculate the poverty rate for elders and children regardless of their living arrangements. Further, we use the available LIS data to separate annual hours worked, marital status (married or living together as married, known as "cohabiting"), and education level of the household head (reference person).

- A variety of equivalence scales have been used in cross-national comparisons in order to make comparisons of well-being between households with differing compositions. Equivalence scales are used to adjust household income for differences in needs related to household size and other factors, such as the ages of household members. In the United States poverty literature, a set of equivalence scales is implicit in the official poverty lines, but these are neither consistent nor robust (Citro and Michael 1995). For the cross-national analysis of *relative* poverty rates, however, we use a consistent scale, which is much more commonly used in international analyses. After adjusting household incomes to reflect differences in household size, we compare the resulting adjusted incomes to the 50 percent of median poverty line. The equivalence scale used for this purpose, as in most cross-national studies, which include both children and elders, is a single parameter scale with a square-root-of-household-size scale factor.[9]

Our measure of the diversity of both relative and real living standards is based only on disposable incomes, but allows us the luxury of examining incomes for persons at various levels of living in society. Comparing points in the distribution allows us to examine differences across children within nations as well as across nations, all expressed in 2000 United States PPP dollars and all relative to the median disposable income in the United States in 2000. We use these data to compute the real income of low-income persons and high-income persons in each nation. The low-income person is measured at the 10^{th} percentile (median of the bottom quintile) while the high-income person is measured at the 90^{th} percentile (median of the top quintile). We refer to the difference between persons with high and low incomes as "economic distance" in making comparisons here. This distance can be measured in ratio format (e.g., the income of the 90^{th} relative to the 10^{th} child), in bar graph format, or with the real income distance between these points measured in PPP-adjusted dollars per equivalent person.

When thinking about of this measure of economic distance for families with children, we can interpret it as a measure of equality of opportunity within each nation. Nations with smaller economic distances (or smaller decile ratios) have higher levels of "equal opportunity" across the population of children. We might also think of the distance between the middle-income child and the low-income child as a measure of "fair chance." Researchers have shown that both income and family structure affect children's life chances and thus, the real income level of children and their parents is of serious social concern (Sigle-Rushton and McLanahan 2003; Duncan et. al 1998). And so, while measures of equality of opportunity capture the relative economic distance between the high- and low-income children, we are also vitally interested in the absolute level of resources available to the low-income child, relative to similar children in other nations. Children in nations with relatively higher real income levels for "low-income children" have given their

poor kids more of a "fair chance" in that nation, when compared to similar children in other nations.

Finally, we need to address the question of mobility, as well as that of economic opportunity. All of the comparisons in this paper are based on cross-sectional data, not longitudinal data. Opportunities for children are measured by their parent's incomes. Hence, one might ask if there is a strong or weak correlation between parental well-being (as measured by income) and child well-being (as measured by the child's income). In fact, several recent studies, using both national and cross-national data suggest that intergenerational mobility is lower in the United States than in almost every other rich country (save the United Kingdom) (Solon 2002). Hertz (2004) finds that a child born into the bottom decile of income has a 31 percent change of ending up there as a result and an over 50 percent chance to end up in the bottom quintile of adult income. The same comparisons for a top decile child indicate a 30 percent chance of remaining in this decile and a 43 percent chance of being in the top quintile of incomes as an adult. Hence, while there is some intergenerational income mobility across the income distribution, it is lower in the United States than elsewhere (as measured by correlation of father and child earnings), while a child's chances of emulating parental income success (or lack thereof) are also strongly correlated. Hence, our measures of children's opportunities for economic success by their parental incomes are also good measures of their future economic status. As Alan Krueger (2002) has remarked, the available data "challenge the nation that the United States is an exceptionally mobile society. If the United States stands out in comparison with other countries, it is in having a more static distribution of incomes across generations with fewer opportunities for advancement."

III. Data, Countries, and Macroeconomic Comparisons

The data we use for this analysis are from the Luxembourg Income Study (LIS) database, which now contains almost 130 household income data files for 30 nations covering the period 1967 to 2000 *(www.lisproject.org*). We can analyze both the level and trend in poverty and low incomes for a considerable period across a wide range of nations. Because we are computing the level and trend in relative poverty, and real living standards for several major policy relevant groups, we have selected just eight nations for this paper, each with a recent 1997-2000 LIS database. These include the United States, two Anglo-Saxon nations (Canada and the United Kingdom), three central European nations (Belgium, Germany, and the Netherlands) and two Nordic nations (Finland and Sweden). These were chosen to typify the broad range of rich nations available within LIS and to simplify our analysis**.**[10] We include all of Germany, including the eastern states of the former German Democratic Republic (GDR), in most of our analyses.[11]

Macroeconomic Comparisons

We begin by comparing three features of the economic and social institutions of each nation: standard of living (as measured by Gross Domestic Product (GDP) per capita in 2000 PPP adjusted dollars); unemployment (as measured by OECD/Standardized unemployment rates), and cash and near cash social expenditures for the non-elderly (OECD 2002). Table 1 shows that the United States is far and away the richest nation that we observe among our set, with 2000 GDP per capita of $34,100. Comparisons of microdata based real incomes per equivalent adult and GDP per capita (shown in Appendix Table 2) reveal a similar ranking and relationship of average microdata based income levels across nations. All other nations lie within a tight 9 percentage point range, ranging from 69 to 78 percent of the United States level GDP per capita. With the exception of the Netherlands, the United States also enjoyed the lowest

unemployment rate of all nations during the 1997-2000 period. Canada, Finland, and Belgium all had unemployment rates more than twice the United States rate, with the variance in unemployment far exceeding the differences in incomes across these select nations.[12]

While the United States is unique in both its high standard of living and its low unemployment rate, it is also unique in the tiny amount of its resources devoted to cash and nearcash social transfer programs. In 1999 (latest year available), the United States spent less than 3 percent of GDP on cash and nearcash assistance for the nonelderly (families with children and the disabled). This is less than half the amount (measured as a percent of GDP) spent by Canada or the United Kingdom; less than a third of spending Germany, the Netherlands, or Belgium; and less than a quarter of the amount spent in Finland or Sweden. While there is a rough correlation between social spending and unemployment, the differences we see here are not cyclical, but are rather structural.

In order to examine structural differences, we show the generosity of income transfer programs by tracing the trend in non-elderly cash and near cash (food, housing) benefits for OECD countries back over the past 20 years, using data from the OECD (2002). We present these estimates in comparable format in Figure 1. Here the 17 OECD nations, all of the major nations except for the Central and Eastern Europeans, have been grouped into seven clusters: Scandinavia and the Nordic nations (including Finland and Sweden); Northern Europe (including Belgium and the Netherlands); Central and Southern Europe (including Germany); Anglo Saxony (including the United Kingdom and Canada); the United States and Mexico. Our eight nations are shown in bold at the bottom of the figures. We show only non-elderly patterns because elder benefits, especially social retirement benefits, depend heavily on the design of systems of income support in each nation (see Endnote 8). These figures illustrate the wide

differences that one can find for both levels and trends in social spending, using figures that abstract from financing of health care, early childhood education, and retirement for the elderly. They also correspond very closely to the measures of money and near-money income transfers used in the analytic literature in this area, including that presented below.

The Scandinavian and Northern Europeans shown in Figure 1 follow similar patterns—high levels of spending which varied with the recession of the early 1990s in Sweden and Finland (when transfers rose and GDP fell), and a tapering of outlays after these events. The Central and Southern Europeans and the Anglo-Saxon nations show remarkably similar spending patterns, again rising in the early 1990s but overall at a level distinctly below that the other two groups. The United States is significantly below all these others and, by the late 1990s is spending at a level closer, in terms of a fraction of GDP per capita, to Mexico than to the other richer OECD nations. Even before the "Bush revolution," we are a distinct lower bound outlier in cash and nearcash social spending on the nonelderly.

IV. Results: Level and Trend in Poverty

Here we present our results. In addition to overall poverty rates, we examine many subgroups. We separately estimated poverty among two vulnerable populations, children (in both one- and two-parent units) and the aged.[13] We examine the antipoverty effect of government policy for each of these groups. We also delve deeply into the situation of poor children, examining the amount of work by parents, family status, and education level of parents for low-income children in each nation. We conclude with a brief summary of what we have learned about how government support affects poverty for the vulnerable in comparative perspective.

Overall Level and Trend in Relative Poverty

Relative poverty rates in the eight nations are given in Table 2. In addition to the overall percent of poor persons, we also show poverty rates for five subgroups of the population: children and adults in one- and two-parent households; childless nonelderly adults; persons living in a household headed by an aged person; and all other or "mixed" households. This latter group includes multigenerational households with elders and adult children, unrelated adults living together, and three-generation households where grandparents (of any age) live with their children and grandchildren. The basic distribution of persons by household types for each group is given in Appendix Table A-1. There one can see that persons living in households with two parents and children, and childless adults are the most predominate household types in each nation. Persons living with elders and single parents—two key vulnerable groups—are smaller fractions in each country, with 9 to 17 percent of persons in household units headed by the elderly and 4 to 11 percent of persons in units headed by a single parents across these eight nations. Mixed households hold 8 percent or less of all persons in each nation. The United States has the largest percent of persons living with single parents (10.6) and in mixed (8.4) households, the lowest percent of persons living with elders (8.7) and childless nonelderly adults (29.8), and is in the middle of the pack in terms of persons living with two parents (42.5 percent).

The overall poverty rate for all persons using the 50 percent poverty threshold varies from 5.4 percent in Finland to 17.0 percent in the United States, with an average rate of 9.8 percent across the eight countries. Higher overall poverty rates are found in Anglo-Saxon nations with a high level of overall inequality (United States, Canada, and the United Kingdom) and in geographically large and diverse countries (United States, Canada). Still, Canadian and British poverty are both about 12 percent and are, therefore, far below the United States levels. The

lowest poverty rates are more common in smaller, well-developed, and high-spending welfare states (Sweden, Finland) where they are about 5 or 6 percent. Middle level rates are found in major European countries where unemployment compensation is more generous, where social policies provide more generous support to single mothers and working women (through paid family leave, for example), and social assistance minimums are high. For instance, the Netherlands, Belgium, and Germany have poverty rates that are in the 8 to 9 percent range. On average, single parents and their children and elders have the highest poverty rates, while those in two-parent units, mixed units, and the childless experience the least poverty. Mixed household poverty rates are lower on average and reflect the economies of scale gained by sharing living arrangements in multigenerational households. Privacy is sacrificed for lower cost housing.[14] In general, elder poverty rates are somewhere between single parents, who are less well off, and two-parent units, which are better off, but this is not universally the case.

The United States has the highest poverty rate in each category except for childless adults, where our 11.1 percent is below the 12.1 percent in Canada (where unemployment was 9.1 percent in the survey year). In all types of household cases, the United States poverty rate is above average; in most cases Canada or the United Kingdom has the second highest poverty rate (e.g., for elders, single parents, two parents).

The trend in poverty is shown in Table 3. These data use the same definitions as those in Table 1, and are taken directly from the LIS website (www.lisproject.org). They reflect between 10 and 20 years of history in each nation. The trend findings are similar to those in other recent LIS papers with different percentage of median poverty rates and wider ranges of countries (e.g., see Burtless, Rainwater, and Smeeding 2001). In general, poverty is higher in most nations, even at the end of the relatively prosperous 1990s compared to the 1980s. (This trend does not conflict

with the observation that many nations poverty rates, including those in the United States, rose in the early 1990s and fell in the later 1990s.) In general, child poverty is increasing while elder poverty has been falling over the ranges of years shown here. Upward changes are least in the 'low-poverty" nations, and in Canada. The United States trends do not stand out as being especially different from those in other nations, except that rising United States child poverty rates come from an already high base. And this maybe troubling if it suggests that national institutions, morals and beliefs are such that poverty levels across countries bear some policy invariant relationship to one another.

We hasten to mention that the trends noted in poverty are different from the changes found in inequality (e.g., using the Gini index) over this same period in these same nations. In many of the more equal nations, most of the rise in inequality noted over this period has taken the form of higher incomes at the top of the distribution rather than by falling lower incomes at the bottom (Förster and Vleminckx 2004; Smeeding and Grodner 2000).

The Antipoverty Effect of Taxes and Transfers

In every nation, benefits from governments, net of taxes, reduce income poverty. Figure 2 and Table 4 contain the basic overall patterns. Poverty rates computed using before-tax-and-transfer household income do not differ among countries as much as do those calculated after taxes and transfers (Figure 2). Here we find that the United States before-tax-and-transfer poverty rate is actually below average, but not as low as in high spending nations such as Finland and the Netherlands. This finding implies that different levels and mixes of government spending on the poor have sizable effects on national poverty rates (Burtless, Rainwater, and Smeeding 2001). In fact, detailed analysis shows that higher levels of government spending (as in Scandinavia and Northern Europe) and more careful targeting of government transfers on the

poor (as in Canada, Sweden, and Finland) produce lower poverty rates (Kenworthy 1998; Kim 2000), a finding that we verify below. Unemployment is not well correlated with either market income poverty or disposable income poverty (Table 1). Rather, earnings and wage disparities are important in determining both market income and disposable income poverty rates, especially among families with children (Jäntti and Danziger 2000; Bradbury and Jäntti 1999). Countries with an egalitarian wage structure tend to have lower child poverty rates, in part because the relative poverty rate among working-age adults is lower when wage disparities are small.

Greater details as to the effects of different types of spending are shown in Table 2. Here we split the antipoverty effect into two components: social insurance and taxes, and social assistance. The former is not income or means tested and includes universal benefits such as child allowances and child tax credits; the latter is targeted to the otherwise poor using income tests. One can see that most nations make effective use of both types of instruments. As one might expect, the United States shows the least antipoverty effort of any nation. We reduce poverty by 28 percent compared to the average reduction of 62 percent. The nation closest to the United States in terms of overall effect is Canada. But even there, government programs reduce market income-based poverty by 52 percent. Our social insurance and direct (payroll and income) tax system is weak and our safety net and social assistance system produces only another 10 percentage points of poverty reduction (including the effect of the EITC in the social assistance category). Social insurance also has a relatively low antipoverty effect in the United Kingdom and Finland. All other nations get at least a 40 percent poverty reduction from social insurance, and in heavily insured countries like Sweden, Belgium, and Germany, social insurance reduces poverty by 60 to 70 percent. In the case of social assistance, large effects of

targeted programs are evident in Finland and the United Kingdom (33 percent reductions), and lower ones (under 10 percent) in the more socially insured nations where the heavy lifting has already been done (Germany, Belgium, the Netherlands, and Canada). It should be apparent that different nations use different instruments and different "income packages" to achieve their antipoverty effects. There is no one program or one type of policy instrument that is universally generous and common across these eight nations. Hence, we turn to the detail found by examining critical subgroups: elders and households with children.

Antipoverty Effects for Elders and Children

Relative poverty rates can vary across age groups within a nation as much as they do across nations. Comparing poverty among children and the elderly (return to Table 2), we find large imbalances in several nations. Elderly poverty exceeds child poverty in most two-parent units and is generally below poverty in one-parent units by large amounts. Poverty is relatively high among both the young and the old only in the United States and the United Kingdom. The elderly do better in terms of lower poverty than children in both the Netherlands and Canada; they do worse in Finland and Belgium. Each group is examined separately below.

Elder Poverty. Great strides have been made in reducing poverty among the elderly in most rich countries over the past 40 years. But pensioner poverty has not been eradicated, especially in the two major Anglo-speaking nations of the United States and the United Kingdom. As expected, the effects of social insurance on elder poverty are very large in all nations, including the United States. But social assistance is also a powerful antipoverty tool in Sweden, Finland, and the United Kingdom. In other nations, especially in the United States, social assistance—especially Supplemented Security Income (SSI) and food stamps—have almost no effect on elder poverty.[15] Poverty among younger pensioners is no longer a major

policy problem. Rather, poverty in old age is almost exclusively an older women's problem. Poverty rates among older women (not shown) rise with both age and changes in living arrangements. Three quarters of the poor elders, age 75 or older, in each rich nation are women; almost 60 percent of all poor age 75 and over in each nation are older women living alone (Smeeding 1999, 2003). Countries that do best in the fight against elder poverty are those with high minimum "first tier" traditional (defined benefit type) social retirement plans for all elderly (e.g., as in Germany, Belgium, Sweden, and Finland). But population aging in coming decades will put pressure on these governments to reduce exactly these benefits and to turn their systems more toward defined contribution-type pension plans as are now found in the United Kingdom. Unfortunately, the changeover to this system in the United Kingdom has left them with a relatively high elder poverty rate.[16] In either case, targeted income-tested benefit strategies, as in Canada, can be extremely successful in reducing elderly female poverty at a much lower overall cost. Such schemes as these should be considered for supplementing both traditional social retirement schemes and national pension systems of a defined contribution variety (Osberg 2002; Smeeding and Weaver 2001).

The Canadians combine their social retirement (Canadian Pension Plan) with an income tested benefit (the General Income Supplement) at source. The elderly, therefore, receive a "topped up" minimum benefit. This benefit has an almost universally high take up rate (because the benefits are determined and checks are combined into one payment by the Canadian Social Security office, based on previous years income tax filing). There is no liquid asset test. As can be seen in Table 3, this highly effective and well-targeted benefit has produced a 16.7 percent decrease in elder poverty since 1981. The Canadians now have the second lowest poverty rate of the eight nations shown in Table 5.

In fact, instead of being a "past problem", pensioner poverty may rise again in the coming decades. In systems without an adequate safety net, poverty rates among older women are highest among the divorced, widowed, and never married. And these are groups whose prevalence within the elder population will rise significantly over the next decades as the baby boom retires and grows old, because of changing patterns of divorce and non marriage among this cohort. For instance, in the United States, divorced and never married women who were 10 percent of all older United States women in the 1990s will be over 25 percent of all aged in the 2020s (Smeeding 1999). And these groups have poverty rates more than double the overall elder population poverty rates in America, despite the high labor force participation rates and increasingly higher pension benefits of other women in similar cohorts. The challenge will be to design systems of retirement benefits that guarantees minimum standards of living for very elderly women, especially those who are survivors, divorcees, or who have never been married, but which are sustainable in the face of the severe budgetary pressure coming to bear on traditional social retirement systems due to population aging. The Canadians have shown us how this can be done.

We should also note that the poverty rate of the elderly is particularly sensitive to the income cutoff used to determine poverty because the elder income distribution is very 'thick' at or near the poverty line cutoffs. In Europe, the European Statistical Office (Eurostat) has recommended a 60-percent-of-median standard for measuring poverty and social exclusion (Eurostat 2000). The United Kingdom has adopted this same standard for its antipoverty efforts with regard to children but not the elderly (Bradshaw 2003). The United States elder poverty line is, in fact, just about 40 percent of the median. While aged poverty rates are on average below overall national poverty rates when poverty is measured using the 40-percent-of-median-income

standard, they average 5 percentage points higher when the 50-percent-of-median income standard is used, and 15 more points higher when the 60-percent standard is calculated.[17] Raising the poverty threshold from 40 percent to 50 percent of national median income increases the poverty rate of the elderly from 4.6 percent to 11.1 percent on average in the eight countries examined here (Table 5, bottom). This increase is the largest of any age group and suggests that social protection systems for the elderly often provide income guarantees that are no more than between 40 percent and 50 percent of median national income. In fact, at a 60-percent-of-median cutoff, we find 24.6 percent of the aged are poor, on average. Once again, the United States and the United Kingdom have the highest rates at any poverty standard, while the Canadian's very cost-effectively fight poverty up to the 60 percent line.

Child Poverty. In a recent treatise, Ron Haskins and Belle Sawhill (2003) suggest that work and marriage are the solution to both poverty and welfare. If all American parents, married, worked full year, full time at the wage paid for high school graduates, and had only two children each, our poverty rate (as officially measured) would be 3.7 percent. No account was taken of the cost of child care (since presumably all married parents could have the other be in charge of child care), and no account was taken if the mental and physical health of children or parents. Unfortunately, none of us live in such a world; not in America, nor in any of the other countries studied here. And since none of us will soon be in this simulated world, it is important to ask how policy deals with the world in which we do live: with single parents, undereducated parents, and parents who work. In fact, in America, where only 2.0 million families with children are still on welfare, we still have 12 to 15 million families who work, but are poor (Shapiro and Parrott 2003).

The effect of antipoverty programs on kids is best examined here by splitting the analysis between children with two adults (almost always married parents) in the unit and children in a lone-parent family. The experience of one group versus the other is very different both within and between nations (Table 6). On average, lone-parent poverty rates are about four times larger than two-parent rates using either market or disposable income. And both social insurance and social assistance, on average, reduce poverty by another 25 percent for each group. But once we leave averages behind, the variance across nations and groups is very large.

Among single parents, all nations begin with market poverty rates of 41 percent or more. Work alone, more precisely market income alone, does not guarantee any acceptable level of poverty for lone parents in any nation. Income transfers better the situation; still only three nations manage to end with disposable income poverty rates of 12.5 percent or lower. At least 25 percent of children in lone-parent families are poor after taxes and transfers in five of the nations observed here. When considering the poverty reduction effects of social programs, the United States is an extreme outlier. We begin with a below average 49 percent market income poverty rate for lone parents, but we end with the highest after-benefits poverty rate of 41.4 percent. Our social insurance and payroll taxes largely cancel out, so poverty falls by less than 1 percentage point. Even including the EITC, we end up with less than a 15 percent poverty reduction for low-income single parents. Canada does a bit better (27 percent overall transfer effect), Germany ends up with a 38 percent reduction, and all other nations do much better, with a 51 percent or higher reduction. It should, therefore, come as no surprise that German and Canadian single-parent poverty rates are not much better than are American rates.

In the case of two-parent child poverty, the situation is both different and similar. It is different because most two-parent families earn enough to be non-poor to begin, but then it is

similar in that the United States benefit system reduces this market income poverty rate by only a meager .8 percent (19.9 versus 19.1). In fact, since most low-income two-parent households pay more in payroll tax than they receive in unemployment or workers compensation, the initial effect of the tax-transfer system is to *raise* child poverty by 9.4 percent! The EITC and Food Stamps more than make up for this effect. In all, other nation's benefits systems, especially social insurance (in all but the United Kingdom) and social assistance bring about much larger reductions in child poverty. It seems that, especially for two parent unites, we simply do not provide the programs to help the working poor escape poverty.

Education and Work Effort Among Parents

There are striking differences across countries in the level and configuration of social safety nets and in the outcomes we find when comparing disposable income poverty for families with children. It is natural to ask how differences in child poverty are tied to systematic differences in not only social spending, but also labor market performance, as typified by education and work effort. We begin with differences in child poverty according to the education of the parent (Table 7). In order to isolate an education effect, we have combined one-and two-parent units and now present poverty rates for all children (Panel A).[18] Due to education coding differences, we are reduced to seven nations and we have been able only to separate those children whose parents have the least education (lowest level) in the second panel (B). In the United States, this comes down to parents where at least one has not finished high school. These children are compared to all other children whose parents have had more education in the final panel (C) of Table 7.[19]

The results of this exercise are striking. In all nations, market and even disposable income poverty rates are more than twice as high for the poorly educated than for the highly educated.

About 16 percent of all United States parents did not finish high school, and their children's poverty rate is over 50 percent, even after taking account of taxes and benefits (which again produce little effect on their incomes in the United States).[20] American children with more highly-educated parents have much lower market and disposable income poverty rates, but they are still the highest among the nations shown. One reason for our high poverty rates is low transfers; the second reason must, therefore, be due to low earnings—owing to either low work hours or to low wages or both. Indeed, American children born to lone parents with little education have the highest market income poverty rate by almost 10 percentage points. Belgium and Canada have similar (but smaller) poverty penalties for the poorly-educated parent. In the other five nations, the poverty rates for poorly-educated parents are not much different from those found among highly-educated parents and, therefore, the poverty situation of children is not so dependent on the education level of their parents. Both the United States and Canada are low-wage countries (those with a high percent of workers earning low wages), but Belgium is a high-wage country (Burtless, Rainwater, and Smeeding 2001).

Among more highly-educated parents, the United States is about average in their level of market income poverty. Once taxes and benefits are accounted for, we have the highest child poverty rates once again, followed more closely by the United Kingdom and Canadian children. Once again, our transfer programs do least to help these families with children.

We can begin to understand whether it is wages or hours that lie at the heart of the problem in Table 8. To make the analysis manageable, we have shown annual work hours for only three groups: all heads and spouses, single-parents only, and the head of the unit in two-parent units, broken down by quintile of disposable income. (Households in which both parents work more than 1000 hours and households where only spouses work more than 1000 hours are

not shown.) In order to make comparisons easier, the right side of the table norms each panel's hours to the average hours worked in the middle quintile (roughly the average hours of the median adult). We are limited to only five nations where we have annual hours of work in the LIS data at this time. Unfortunately, the United Kingdom and Sweden are not among the nations we examine. In both cases, other research shows that British lone parents do not work very many hours, while Swedish women work a substantial amount of hours (Smeeding 2002; McLanahan and Garfinkel 1994).

The patterns evident in the table will be no surprise to international labor market analysts, but some surprise to others, Americans of all stripes and situations work much longer hours than do any other nations' workers (Osberg 2002). The differences between American and other workers are least among the highest quintile workers and are the largest among low-income parents, especially single parents. American single parents in the lowest income quintile average over 1000 hours per year—almost twice as much as those in the other four nations shown here. Lowest quintile heads in two-parent units work almost full-time (over 1700 hours per year). The next nearest nation is Germany with 1267 hours. In contrast, Belgian parents work the least number of hours of any low-income parents. It seems that we have the hardest working low-income parents extant, but that they are receiving the least assistance from the social safety net.

One final table (Table 9) confirms this fact by examining children who are poor according to the hours worked by their parents and their family situation. There are many numbers and many expected and unexpected patterns in this table. For instance—heads who do not work 1000 hours a year are very likely to be poor regardless of parental composition (center and right panels of middle row). Also, the children in two-parent units, where one parent works at least 1000 hours are likely to have poverty rates that are below 10 percent except in the United

States where their poverty rate is 21.0 percent (bottom right panel in Table 9)! But the key figure is at the bottom of the table in the middle column: almost a third of all United States children living with a single parent where the head works more than 1000 hours are poor. The next nearest nation is the Netherlands at 13.1 percent.

Summary

Comparative cross-national poverty rankings suggest that United States poverty rates are at the top of the range when compared with poverty rates in other rich countries. The United States child and elderly poverty rates seem particularly troublesome. Our elders have poverty rates that are 28.4 percent, while, except for the United Kingdom, all other nation's rates are less than half as high. In most rich countries, the child poverty rate is 10 percent or less; in the United States, it is 21.9 percent. Part, though not all, of the explanation is that the United States devotes a relatively small share of its national income on social transfers for families with a non-aged head. Another part of the problem seems to be that even when parents, especially single moms, work 1000 hours a year or more, they have high poverty rates. Previous studies have shown that low wages and low spending (but not high unemployment) are highly correlated with high poverty rates (Burtless, Rainwater, Smeeding 2001). The findings here suggest that we need to move beyond worrying about welfare and instead concentrating on a package of benefits for the working poor, especially for single parents and for the poorly educated.

V. Relative and Real Economic Well-being More Generally

Although most 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 important in comparing living standards and well-being across nations.

Interest in real income position is important for all persons, but especially for households with children. Interest in real economic position of children goes beyond the situation of poor children alone—in comparative studies one also wants to know about the real standard of living of average and well-off children when we assess equality of opportunity. These measures can be also understood as measures of the types of life chances that low-income parents can provide for their children.

In order to examine both relative and real income position, we have constructed four figures (3 through 6). In each we ranked the population of interest (all persons, elders, children and adults in two-parent units, and children and adults in single-parent units) from poorest to richest. We then take the persons at the 10^{th} and then 90^{th} percentiles and compare them to the middle-income persons to construct measures of low income, high income and the decile ratio. In the top panel of each table, these give purely relative "within country" rankings. In order to assess the combined effects of both relative rankings and richness of the nation, we used PPPs to convert these incomes into United States, base year 2000 dollars. All amounts in the bottom panels of Figures 3-6 are, therefore, expressed as a fraction of the 2000 United States overall median adjusted disposable income per equivalent person of $24,416.

We use the OECD estimates of PPP exchange rates to translate household incomes in each country into United States dollars, but OECD's estimates of PPP are far from ideal for comparing the well-being of low-income households in different countries. In principle, the PPPs permit us to calculate the amount of money needed in country A to purchase the same bundle of consumption items in country B.[21] If relative prices on different consumption items differ widely between the two countries, however, the PPP exchange rate may only be correct for one particular collection of items. The exchange rates calculated by the OECD are accurate for

overall national aggregate production and consumption (Castles 1996). Thus, the exchange rates are appropriate for comparing market baskets of all final consumption, including government-provided health care, education, and housing. These goods are paid for in different ways in different nations, however. In most countries, health care, as well as some rental housing, childcare, and education are subsidized more generously by the government than is the case in the United States. Thus, disposable incomes in countries with publicly financed health and relatively generous education systems reflect the fact that health and education costs have already been subtracted from households' incomes (in the form of tax payments to the government). One implication is that in countries where in-kind benefits are larger than average, real incomes may be understated and, therefore, low incomes may be understated because citizens actually face a lower effective price level than is reflected by OECD estimates of the PPP exchange rate. The opposite is true for those counties whose citizens must pay larger amounts for health care and education out of their disposable incomes. Since United States residents pay more out of pocket for these goods than do residents of other nations, United States percentile points are likely overstated.[22] In contrast, Northern European countries provide high levels of tax-financed health care and education benefits and, therefore, their real income positions are likely understated. However, the extent of these differences is unknown at this time.[23]

Another problem for comparing real incomes across countries arises because of differences in the quality of the household income survey data used to measure poverty. For example, the LIS survey for the United States is the Current Population Survey (or CPS). The CPS captures about 86 percent of the total household incomes that are estimated from other sources (national income accounts data and agency administrative records). Most, but not all, of

the other surveys used by LIS capture approximately the same percentage of total income (Atkinson, Rainwater, and Smeeding 1995). The household surveys of the Scandinavian countries (Finland and Sweden) capture between 93 and 94 percent of the incomes reflected in the aggregate statistical sources. Unfortunately, not all of the countries shown here have performed the calculations that would allow us to determine the overall quality of their household survey data. We used a rough methodology to compare the quality of survey data for the different LIS countries before our calculations were made.[24,25]

Assuming that the household surveys from different countries yield information about disposable incomes with comparable reliability, we should expect that once incomes are converted into a common currency unit, those countries with higher average incomes will have higher real income levels. This expectation is based, of course, on the assumption that income inequality is approximately the same across all countries. If income inequality differs significantly, countries with higher average incomes but greater income disparities may have 'richer' high-income persons and 'poorer' low-income persons than we find in lower average income countries with less income inequality. And indeed this is the case.

Figure 3 provides the basic information for all persons in our eight nations. The United States has the highest level of disposable income inequality of all nations, with the United Kingdom second and Canada third. These patterns are reflected in both the Gini coefficients (taken from the LIS website at www.lisproject.org) and in the decile ratios shown in Figure 3. At the top of the table, our low-income persons are disadvantaged in relative terms, with incomes only 39 percent of the median compared to an average 51 percent. In other nations the next lowest 'low income' person is in either Canada or the United Kingdom where that person has 47 percent of the income of the average Brit or Canadian. At the top of the distribution, high-income

Brits (214) and Americans (210) have more than twice the income of their average countryman. The combined effects of these are shown in the decile ratios, which show that rich Americans have 5.4 times as much as do poor Americans; Brits 4.5 times as much, and all other nations below 4.0.

But these are relative amounts only. Britain is much poorer than America, with a GDP that is only about 70 percent of United States GDP. Therefore, the rich Brit who has an income that is 214 percent of the average Brit has an income that is only 157 percent as high as that of the average American once PPPs have been applied to adjust for differences in living standards between the United States and the United Kingdom. This comparison validates the fact that rich Americans are really well-off compared to the "relative rich" in any other nation. The PPP adjustment also closes the gap between poor Americans and poor residents in other comparable nations so that the average poor American is roughly as well off as the average poor person in any other nation—having a living standard that is about $9,770 or 40 percent of the average American living standard of $24,416. Poor Americans are in general about as badly off as are the poor in any other nation—with Brits a bit worse off and Canadians a bit better off, but with no large differences across nations. This result is a modest improvement in American low-income living standards compared to the situation in the mid-1990s when low-income Americans were about 5.0 percentage points below average (e.g., see Blank and Schoeni 2003, on the growth of American children's real income in the second half of the1990s). The overall gap between the rich and the poor in America is, however, about $41,700 per equivalent person, and much larger than in any other nation.

Poor American elders have living standards that are only about a third that of the average American (Figure 4) as measured by their disposable incomes; rich ones are considerably better

off, and the gap between rich and poor, as measured by the differences in their real incomes, is larger than for the population as a whole. Among the elders, the gap between rich and poor is much greater than in any other nation by a wide amount (decile ratio of 5.4 compared to 3.3 in the United Kingdom, which is the next closest nation). Moving to real incomes at the bottom of the figure, the gap between well-to-do elderly and their foreign counterparts widens even more. In fact, rich old Swedes, Fins, and Brits are not as well off as is the average American elders. However, poor American elders are still poorer in real income terms compared to those in other nations—only elder Brits living at the same standard are poorer—while low-income Swedes and Finns are at roughly the same living standard (not counting health care costs or wealth levels, which pull these particular comparisons in different directions). Low-income Canadian elders have especially higher income compared to their American counterparts.

On average, children's real incomes at the 10^{th} percentile are 45 percent of the median if they live in a two-parent household, while the 90^{th} percentile child lives in a family with an income of 197 percent of the median, producing a decile ratio of 4.41. The real income gap or "economic distance" between low- and high-income children in these families averages almost $35,900 per child in Figure 5 (bottom). This means that low-income families have resources of $10,987 per child, assuming all resources are evenly split among household members. In contrast, high-income families have $46,968, to spend on each child. The real income gap or economic distance between rich and poor children in the United States of $35,891 per child is by far the largest, with Canada the only other one above the $30,000 level. It is hard to argue that all American children have an equal opportunity as measured by their parents incomes.

Looking at a measure of "fair chance," the nations with the highest P_{10} offer their children the best economic chance for future success. We agree with Mayer (1997) and others

that income alone is a poor proxy for life chances for middle-class households with children. Another $500 or $1,000 per child for middle-income or well-to-do families makes little difference to their children's overall life chances compared to other influences (such as parents, schools, communities, and peers). But we also agree with Duncan et al. (1998) that a child being born into a family with very low income (roughly P_{10} or 30 percent of the median) significantly decreases that child's overall life chances. Sigle-Rushton and McLanahan (2004) recently summarized the effects of parental absence on child development in rich nations. While they found that parental absence mattered, they also found that low incomes mattered to child development, even when holding parental structure constant. Thus, we believe that the P_{10} for children is a meaningful and important indicator of a fair life chance.

On this basis, poor American kids in two-parent units are no better or worse off than are poor kids in other nations (with the exception of British low-income kids) in the bottom panel. American low-income children are at roughly the same level of living as the average kids, as long as they live with two parents. Of course on a relative basis, our poor children are still at a disadvantage (45 percent of the median compared to a 51 percent average). At the other end of the scale, United States children in prosperous two-parent households have living standards 197 percent above the median United States person. In Sweden and Finland, the average high-income child in a two-parent family actually has a living standard (measured by cash income) just about 10 percent above that of the average United States person. The gap between rich and poor kids are also lowest in Scandinavian nations.

Finally, we turn to low-income kids in one-parent families. As expected, these kids do less well than do kids in two-parent units in every country and at any income level. In relative terms the typical poor kid in an American single-parent family has an income that is 21 percent

as high as the average American and less than half the typical income of a poor kid from a two-parent family (compare 21and 45 in Figures 6 and 5). This translates (in Figure 6, bottom) to a real income level of $5,127 pre child. Even "Murphy Brown's" son lives at an income level only about 131 percent above that of the average American.[26] These real income comparisons are very damaging for our low-income children. The income differences across nations do not make up for how poorly we treat our low-income kids in single-parent families. The average poor kid in such a unit is not as well off as is his (her) counterpart in any nation, who on average enjoy a living standard 29 percent as high as the average American. A low-income American kid in a single-parent unit is better off only compared to the average German low-income kid. In every other nation, a low-income kid is better off than average and far better off than a low-income American kid in a single-parent family.

Discussion

While acknowledging that the United States has greater inequality than other industrialized nations, many defenders of American economic and political institutions have argued that inequality plays a crucial role in creating incentives for people to improve their situations through saving, hard work, and investment in education and training. Without the powerful signals provided by big disparities in pay and incomes, the economy would operate less efficiently and average incomes would grow less rapidly. In the long run, poor people might enjoy higher absolute incomes in a society where wide income disparities are tolerated than in one where law and social convention keep income differentials small. According to this line of argument, wide income disparities may be in the best long-term interest of the poor themselves.[27] But, of course, there is no evidence that this is true (Burtless and Jencks 2003).

In recent years, the United Kingdom and especially the United States economies have, in fact, performed better than other economies where income disparities are smaller. Employment growth has been faster, joblessness lower, and economic growth higher than in many other OECD countries where public policy and social convention have kept income disparities low. However, the evidence that lower social spending "caused" higher rates of growth is not found in the literature (e.g., Arjona, et. al 2001). Our lower-income citizens' real incomes are at or below the incomes that poor people receive in other rich countries that have less inequality. The supposed efficiency advantages of high inequality have not accrued to low-income residents of the United States, at least so far. While the real incomes of families with children did rise in the latter 1990s (Blank and Schoeni 2003), most of the gains have been captured by Americans much further up the income scale, producing a conspicuously wide gap between the incomes of the nation's rich and poor children, elders, and adults.

Low-income United Kingdom children in lone-parent units experience real living standards that are above those found for United States kids in similar units. Five years earlier, these low-income United Kingdom kids were worse off than were United States kids in real terms (Smeeding and Rainwater 2004). The reason for their improvement is that they have a Prime Minister who has set a national goal of improving living standards and eradicating child poverty in Britain over the next decade, and who has matched his political rhetoric with some measure of real and continuing fiscal effort that has already had an impact (Bradshaw 2003; Walker and Wiseman 2001; Micklewright 2001).

V. Conclusions: Policy and Research Implications

A substantial fraction of the variance in cross-national poverty rates appears to be accounted for by the cross-national variation in the incidence of low pay. Because the United States has the highest proportion of workers in relatively poorly paid jobs, it also has the highest poverty rate, even among parents who work half time or more (Burtless, Rainwater, and Smeeding 2001). On the other hand, other countries have a significantly lower incidence of low-paid employment and also have significantly lower poverty rates than the United States. The prevalence of low-pay workers is, in fact, not the only reliable predictor of poverty rates. While low pay is a good predictor of United States poverty rates, and while poorly-educated workers do not do well at keeping their families from poverty based on earnings alone, other factors, such as the antipoverty efforts of the government, are also important predictors of the poverty rate. Social spending also reduces poverty, as we have seen. As a result of its low level of spending on social transfers to the non-aged, the United States has a very high poverty rate. All of the high-spending nations in northern Europe and Scandinavia have child poverty rates of 10 percent or less. And in Britain, Prime Minister Blair has spent an extra .9 percent of GDP for low-income families with children since 1999 (Hills 2003). Nine tenths of a percent of United States GDP is about $90 billion. This is more than we now spend on the EITC, food stamps, and TANF combined. The result of this spending in Britain is that child poverty rates in 2001 were 23 percent below their 1996 level and, as evident above, real living standards for these children also rose (Bradshaw 2003).

Even though social spending in general has an inverse correlation with poverty rates, different patterns of social spending can produce different effects on national poverty rates. Antipoverty and social insurance programs are in most respects unique to each country. There is

no one kind of program or set of programs that are conspicuously successful in all countries that use them. Social insurance, universal benefits (such as child allowances), and social assistance transfer programs targeted on low-income populations are mixed in different ways in different countries. So, too, are minimum wages, worker preparation and training programs, work-related benefits (such as child care and family leave), and other social benefits. The United States differs from most nations that achieve lower poverty rates because of its emphasis on work and self-reliance for working-age adults, regardless of the wages workers must accept or the family situation of those workers. For over a decade, United States unemployment has been well below the OECD average, and until recently American job growth has been much faster than the OECD average. The strong economy coupled with a few specific antipoverty devices (like the expanded EITC) has produced most of the United States poverty reduction in recent years. But it has not produced much poverty reduction. And the longer term effects of low income on poor American children are a topic which we are just beginning to grapple with.

As long as the United States relies almost exclusively on the job market to generate incomes for working-age families, changes in the wage distribution that affect the earnings of less skilled workers will inevitably have a big effect on poverty among children and prime-age adults. Welfare reform has pushed many low-income women into the labor market and they have stayed there as TANF roles continue to fall. Even with the $25.4 billion spent on TANF today, only $11.2 billion is in the form of cash assistance; the rest is now in the form of child care transportation assistance, training and other services (Pear 2003). While the switch from cash to services has undoubtedly helped account for higher earnings among low-income parents, it has not helped move many of them from poverty. In fact, serious gaps still exist, especially in the child care arena (Smolensky and Appleton Gootman 2003) and in family leave policy (Gornick

and Meyers 2003). Still, labor markets alone cannot reduce poverty because not all of the poor can be expected to "earn" their way out of poverty. Single parents with young children, disabled workers, and the unskilled will all face significant challenges earning an adequate income, no matter how much they work. The relationship between antipoverty spending and poverty rates is of course complicated, so the arguments discussed above are, at best, suggestive. United States poverty rates among children and the aged are high when compared with those in other industrialized countries. Yet United States economic performance has also been outstanding compared with that in other rich countries. Carefully crafted public policy can certainly reduce American poverty. Implementing the policies that would achieve lower poverty rates would also have budgetary costs and perhaps, some efficiency costs that are yet to be unearthed.

Of course, the direct and indirect costs of antipoverty programs are now widely recognized (and frequently overstated) in public debate.[28] The wisdom of expanding programs targeted at children and poor families and older women depends on one's values and subjective views about the economic, political, and moral tradeoffs of poverty alleviation. For many critics of public spending on the poor, it also depends on a calculation of the potential economic efficiency losses associated with a larger government budget and targeted social programs. It is hard to argue that the United States cannot afford to do more to help the poor, particularly those who are working in the labor market.

Toward Solutions

A partial solution to the poverty problem that is consistent with American values lies in creating an income package that mixes work and benefits so that unskilled and semi-skilled workers, including single parents, can support their families above the poverty level. Such a package could include more generous earnings supplements under the EITC, refundable child

and daycare tax credits, and the public guarantee of assured child support for single parents with an absent partner who cannot or will not provide income to their children. A reasonable increase in the minimum wage over the next several years would also help low-skilled workers more than it would hurt them. Targeted programs to increase job access and skills for less skilled workers could also help meet future growing labor demand in the United States economy. In the long run, a human capital strategy that focuses on improving the education and marketable job skills of disadvantaged future workers, particularly younger ones, is the approach likely to have the biggest payoff. If the nation is to be successful in reducing poverty, it will need to do a better job of combining work and benefits targeted to low-wage workers in low-income families (e.g., see Ellwood 2000; Danziger, Heflin, and Corcoran 2000). There is already evidence that such programs produce better outcomes for kids (Clark-Kauffman, Duncan, and Morris 2003).

An expanded income-related program with a higher benefit guarantee for the aged and disabled who also receive Social Security could go a long way toward reducing poverty among these groups to levels that are common in Northern Europe. Canada achieved a major reduction in poverty when it implemented a targeted expansion of its social assistance plan in the 1980s (Smeeding and Sullivan 1998; Osberg 2002) and we might do the same as part of a social security reform package.

Given the political disposition of the American public, a near 0 percent poverty rate is not a plausible goal. A gradual reduction in the overall poverty rate to 10 percent using the 50 percent standard is certainly feasible, however. Although this rate would represent a considerable achievement by the standards of the United States, it is worth remembering that a 10 percent overall poverty rate is higher than the average poverty rate in the eight nations examined here, and would just put us on a par with our British and Canadian counterparts.

Endnotes

1 Rich nations can have low relative (as well as low absolute) poverty as well as high incomes. For instance, Luxembourg has a GDP that is 50 percent larger than is the United States GDP, but a relative poverty rate of under 5 percent. While there is likely some tradeoff between ones overall standard of living and ones level of relative poverty, recent analysts, have found no strong evidence of such tradeoffs in rich nations (see Osberg, Smeeding, and Schwabish 2004; Lindert 2004).

2. Poverty measurement began as an Anglo-American social indicator. In fact, "official" measures of poverty (or measures of "low income" status) exist in very few nations. Only the United States (U.S. Bureau of the Census 2003b) and the United Kingdom (Department of Social Security 1996) have regular "official" poverty series. Statistics Canada publishes the number of households with incomes below a "low income cutoff" on an irregular basis, as does Australia. In Northern Europe and Scandinavia the debate centers instead on the level of income at which minimum benefits for social programs should be set and on "social exclusion". In other words, their concept of insufficient "low income" directly leads to programmatic responses and they have moved on to other concerns.

3. See for UNICEF (2000), Bradbury and Jäntti (1999); for the United Nations (1998, 1999); for the OECD, see Förster (1993), Förster and Pellizzari (2000); for the EU, see Eurostat (1998), Hagenaars, deVos, and Zaidi (1994); and, for LIS, Jäntti and Danziger (2000), Smeeding (1997), Kim (2000), Kenworthy (1998), Smeeding, O'Higgins, and Rainwater (1990), and Rainwater and Smeeding (2003).

4. In 1998 the ratio of the United States (four-person) poverty line to median *family* income was 35 percent while the ratio to median *household* income was 42 percent. Median household income ($38,855) is far below median family income ($47,469) because single persons living alone (or with others to whom they are not directly related) are both numerous and have lower incomes than do families. The ratio was unchanged in 2002, the most recent year for which we have data (U.S. Bureau of the Census 2003a, 2003b). Families include all units with two or more persons related by blood, marriage, or adoption; single persons (unrelated individuals) are excluded. In contrast, households include all persons sharing common living arrangements, whether related or not, including single persons living alone. Different adjustments for family or household size might also make a difference in making such comparisons.

5. The Penn World Tables Mark V purchasing power parities (PPPs) were judged to be accurate and consistent for the early 1990s for all nations except Italy (Summers and Heston 1991). However, they have not been updated, and now the OECD and World Bank have developed their own sets of PPPs, the latest benchmarked in 1999. We do not present comparisons of real poverty rates over time due to the intertemporal inconsistency of PPPs dating back to the mid-1980s and earlier. For additional comments

on PPP's and microdata-based comparisons of well-being, see Gottschalk and Smeeding (2000), Rainwater and Smeeding (1999), Smeeding and Rainwater (2001), Smeeding et al. (2000), Castles (1996), and Bradbury and Jäntti (1999, Appendix).

6. See Atkinson, Rainwater, and Smeeding (1995) for more on this income definition and its robustness across nations. Note that the use of this "LIS" disposable income concept is not unique to LIS alone. Eurostat and OECD have independently made comparisons of income poverty and inequality across nations using identical or very similar measures of net disposable income.

7. This income definition differs from the Census income definition used in most poverty studies. Still, the internationally comparable measure of income does not subtract work-related expenses or medical care spending. In particular, there is no account for provision of or costs of child care. The EITC and similar refundable tax credits and noncash benefits such as food stamps and cash housing allowances are included in this income measure, however, as are direct taxes paid.

8 Of course, our measures of the antipoverty effects of benefits are partial equilibrium in nature. That is, poverty measured before government benefits (using MI) is not the same as poverty in the absence of government, if tax and transfer programs affect ones level of MI. In the case of benefit programs for the elderly, we expect and find larger effects as the size of benefits (percent of GDP spending on cash benefits for the elderly) is unrelated.35 with MI poverty. But in the case of the nonelderly, the correlation between MI based poverty and nonelderly social spending is on .14. Thus, we conclude that for the nonelderly general equilibrium effects are modest. For an excellent discussion of behavioral effects and benefit incidence, see Reynolds and Smolensky 1970.

9. Formally, adjusted disposable income (ADPI) is equal to *un*adjusted household income (DPI) divided by household size (S) raised to an exponential value *(e*), ADPI = DPI/S^e. We assume the value of *e* is 0.5. To determine whether a household is poor under the relative poverty measure, we compare its ADPI to 50 percent of the national median ADPI. National median ADPI is calculated by converting all incomes into ADPI and then taking the median of this "adjusted" income distribution. The regime 2001 equivalence scale which we employ is robust; especially when comparing families of different size and structure (e.g., elders and children). See Atkinson, Rainwater, and Smeeding (1995) for detailed and exhaustive documentation of these sensitivities.

10 Adding another Northern European or Scandanivan nation (Demark, Norway) would mimic Sweden and Finland. LIS does not yet have year 2000 data from France or Australia. Southern European LIS data (e.g., Italy, Spain) is not well enough reported to include in measures of real well-being. The Central and Eastern European nations have much lower living standards than the others and are, therefore, excluded.

11. We present LIS data on the Unified Germany for 2000. However, trend data for Germany (Table 3) are still restricted to West Germany. The LIS West German poverty rates tend to be 0.9 to 1.2 percentage points below those for all of Germany.

12 Unemployment is, of course, cyclical and business cycles differ across nations. However, the 1997 20 2000 period was one of strong economic performance in every nation studied here. In previous research on this topic, Atkinson, Rainwater, and Smeeding (1995) found no consistent effect of unemployment on overall inequality measured at a point in time. Rather, they concluded that institutional factors were more likely to explain the cross-sectional relationship between unemployment and inequality (or poverty) than were cyclical conditions. Smeeding (1997) found the same result. Still, we must conclude that economic cyclicity probably affects MI based poverty via its effects on wages and employment. However, we do not know how much difference economic conditions makes in a cross-national study such as this.

13. Children are all persons under age 18; elderly are all persons age 65 or over. We do not include racial or ethnic breakdown as only five to seven LIS nations have such variables. The poverty status of immigrants (foreign born citizens) can be studied in only four or five LIS countries. These data show that about 15 percent of the poor in the United States (2000), Canada (1997), and the United Kingdom (1999), were foreign born.

14 Were there more time and space, it would be interesting to see how many single parents and elders live in such arrangements and if they would be poor if they lived independently on their own income.

15 The reason why SSI and Food Stamps have no effect on elder poverty is because of their very low value – less than 90 percent of the official United States poverty line and only about 75 percent of the half of median line. See Smeeding (2001) for more on this topic.

16 Brown and Prus (2003) show that nations with high levels of social revilement benefits have lower elderly poverty. When social retirement systems change from defined benefit to defined cost, less redistribution results. Both the generosity and nature (e.g., universal or income tested benefit) of the lowest tier in such systems is an important determinant of elder poverty.

17 The careful reader will note that the poverty rate at the 50 percent standard in the bottom of Table 8 are slightly or even substantially lower than in the top. The reason is that the bottom of the table rates are for all elders, including those living in mixed families. The rates at the top are for elders living only in units headed by persons 65 or over and not containing any nonelderly persons (except spouses). The differences in poverty are mainly due to the economics of scale from living with others.

18 In Table 7 we see all children regardless of their family circumstances, a slightly different universe than is found in Table 6 where poverty is selected by parent type.

19 Education is coded into low (less than high school), median (high school degree), and high (some college or university) by LIS and OECD. The reader can find this code in LIS at http://www.lisproject.org/techdoc/variabdef.htm.

20 In fact, United States families for rich children whose MI is below the poverty level pay higher net taxes (even after the Earned Income Tax Credit) than do families in other nations. These taxes are mainly payroll taxes which mean more poverty today, but which may also contribute to reduced poverty in old age or in case of disability. This treatment of payroll taxes in current income, not as payments toward future benefits, should be noted by the reader.

21 In principle, we would like a common market basket of goods and services and the full prices (before and after subsidies) of each element of this market basket in each nation. Of course, different nations consume different baskets, and the differences between "full priced" and "subsidized" goods for health care, education, housing, and transportation are large across nations. Still the use of PPP is the preferred use of exchange rates which vary due to a large number of causes (e.g., currency movements) that are largely unrelated to differences in living standards across nations. See Castles (1996) for more.

22. Smeeding et al. (1993) find that countries that spend more on cash social expenditures also spend more on noncash subsidies. The largest differences between the United States and other nations are in the realm of health care costs. United States citizens spend roughly 15 percent of disposable incomes on health care compared to 5 percent in France, 2 percent in Canada, and 1 percent in the United Kingdom (unpublished LIS results). See Garfinkel, Rainwater, and Smeeding (2004) for more on noncash income and their effect on income distribution.

23. While the arguments tend to suggest that United States real income levels may be overstated compared to those in other nations, some counter-arguments can also be made. More than 85 percent of Americans are covered by health insurance. They do not pay for most of the health care they consume out of the disposable income measured on the CPS, though they do pay more for health care out-of-pocket on average (see note 14). In other words, the average insured American does not pay the full "price" of medical services reflected in OECD's PPP estimates for the United States. For a large majority of low-income Americans, insurance is provided for free through the Medicaid program or at reduced cost under Medicare. For others, it is subsidized by an employer's contribution to a company-sponsored health plan. While low-income people in most, if not all, LIS nations pay lower net prices for medical care than do residents of the United States, the United States probably has the highest final consumption prices for medical care of all OECD countries. The OECD's PPP estimates should therefore show the United States has a high cost of living (at least for medical care). Second, Americans pay more for higher education (though not for K-12 schooling) than citizens in other OECD countries. Many Americans pay for college out of their disposable incomes. But Americans with low income can obtain a decent college education about as cheaply as most Europeans, so

the difference in higher education costs may not be very relevant for comparing poverty market baskets across countries. Third, more than one-quarter of low-income Americans receive housing subsidies, either directly—through vouchers—or indirectly—through below-market rents on publicly subsidized apartments. European subsidies for housing vary by country, but are generally larger. Fourth, some consumption items that are more important to poor families than to the non-poor are dramatically cheaper in the United States than they are in other OECD countries. Food is one such item. Because food consumption likely has a greater weight in the consumption of the poor than it does in aggregate consumption, the OECD's PPP exchange rates are biased against the United States. In summary, while we could develop better PPP exchange rates for purposes of comparing low-income families across OECD countries, it is not obvious that a superior set of PPPs would reveal systematically lower absolute earning standards in the United States than we see here. Hence, our comparisons in Figure 3 - 6 are about as good as any that could be done at this time.

24. We compared aggregate LIS market incomes to OECD final domestic consumption aggregates. The ratio was 86 percent for the United States. Most of the other nations shown in Figures 3-6 were close to the United States level; a few were above it.

25. Underreporting of income has a large impact in comparing absolute levels of living across countries. The smaller the percentage of aggregate income that is reported in the household survey, the lower the measured level of well-being. Underreporting may also affect relative poverty comparisons or relative income rankings,if income at either the bottom or the top of the income distribution is differentially underreported. Unfortunately, we cannot currently assess the relative importance of income underreporting in different parts of the income distribution.

26 "Murphy Brown" was a 1990s popular television show character who was a high-income woman that bore an out-of-wedlock child. Her character sparked a debate on the income of single parents and the public perception that many single mothers had relatively high incomes. Later research, e.g., McLanahan and Sandefur (1994) have debunked this myth.

27. A lucid presentation and analysis of this viewpoint can be found in Okun (1975). See also Welch (1999).

28 The efficiency costs of public programs are debatable. The recent increase in market work among single mothers who would otherwise be on public support after the 1996 Welfare reform is taken by many to be strong evidence that labor supply responded in part to changes in this program. However, the literature debates the importance of TANF vs. the EITC and the strong labor market of the late 1990s as primary causes of greater market work among low-income mothers. See Grogger (2003).

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Table 1.
Macroeconomic Comparison

Nation (year)	Average Standard of Living: GDP/Capita (in 2000 US$)[1]	Index	OECD Standardized Unemployment Rate	OECD Social Expenditures on Non-elderly[2]
United States (00)	34,106	100	4.0	2.8
Netherlands (99)	26,517	78	3.2	10.5
Sweden (00)	25,363	74	5.6	12.6
Germany (00)	25,329	74	7.8	8.9
Canada (97)	25,044	73	9.1	6.0
Finland (00)	24,530	72	9.8	12.1
United Kingdom (99)	23,723	70	5.9	6.4
Belgium (97)	23,541	69	9.2	8.9

Source: US Bureau of Labor Statistics (http://www.bls.gov); OECD (http://www.oecd.org); and OECD (2002)

Note: [1]Using 2000 PPPs, price adjusted in each nation to correct year.

[2]Countries with data year 2000 are given the most recent (1999) values available from OECD. Definition of nonelderly social expenditures is given in note to Figure 1.

Table 2.
Poverty Rates in Eight Rich Countries, by Age Group, at the Turn of the Century

	Poverty Rate (% of population poor)[1]						Rank of country					
		Children and their Parents[3]						Children and their Parents				
Nation (year)	Overall[2]	1 Parent	2 Parent	Elders[4]	Childless[5]	Mixed[6]	Overall	1 Parent	2 Parent	Elders	Childless	Mixed
United States (00)	17.0	41.4	13.1	28.4	11.1	14.9	1	1	1	1	2	1
United Kingdom (99)	12.3	31.3	8.9	24.6	7.7	7.0	2	4	3	2	6	4
Canada (97)	11.9	38.9	9.5	5.2	12.1	5.9	3	2	2	7	1	6
Netherlands (99)	8.9	26.8	7.9	3.2	9.5	14.2	4	5	4	8	4	2
Germany (00)	8.2	31.6	2.8	12.2	9.0	7.5	5	3	6	4	5	3
Belgium (97)	7.9	12.5	6.6	13.1	7.3	6.3	6	6	5	3	8	5
Sweden (00)	6.4	11.3	2.1	8.2	9.7	2.4	7	7	8	6	3	7
Finland (00)	5.4	7.3	2.2	10.1	7.6	2.1	8	8	7	5	7	8
Overall Average	9.8	25.1	6.6	13.1	9.3	7.5						

Source: Author's calculations of LIS files.

Notes:

[1]Poverty is measured at 50% median adjusted disposable income (ADPI) for individuals. Incomes are adjusted by E=0.5 where ADPI=unadjusted DPI divided by household size (s) to the power E: ADPI = DPI/s^E.

[2]All types of persons regardless of living situation.

[3]Children are under age 18. They and the non-elderly adults living with them in the same household are separated into one- and two-parent columns.

[4]Adults aged 65 and over living in units with a head age 65 and over.

[5]Childess are couples or singles where the reference person is under age 65.

[6]Mixed households include persons living in multiple generation families.

Table 3.
Trends in Poverty in Eight Rich Countries, by Age Group:
Percentage Point Change from Initial Year

Nation	Years	Overall	Children	Aged
United States	1979-2000	+1.2	+1.5	-2.6
United Kingdom	1979-1999	+3.3	+2.9	-0.5
Canada	1981-1997	-0.5	+0.9	-16.7
Netherlands	1991-1999	+2.3	+1.5	0.0
Germany[1]	1984-2000	+1.0	+0.8	-1.1
Belgium	1985-1997	+2.5	+3.3	+0.5
Sweden	1981-2000	+1.1	-0.7	+0.5
Finland	1987-2000	0.0	+0.1	-3.4

Source: Author's calculations with LIS files based on 50 percent of median poverty thresholds. Numbers show actual change in poverty rates at 50 percent of median (in each year) calcualted as the change from the initial year. See also http://www.lisproject.org/keyfigures/povertytable.htm.
Note: [1]Only West Germany is included here.

Table 4.
The Anti-Poverty Effect of Government Spending:
Percent of All Persons Poor[1] by Income Source

Nation (year)	Market Income[2]	Social Insurance (and Taxes[3])	Social Assistance[4]	Percent Reduction	
				Social Insurance[5]	Overall[6]
United States (00)	23.7	19.3	17.0	18.6	28.3
Netherlands (99)	21.6	10.9	8.9	49.5	58.8
Sweden (00)	29.2	11.6	6.4	60.3	78.1
Germany (00)	28.6	9.9	8.2	65.4	71.3
Canada (97)	24.8	13.8	11.9	44.4	52.0
Finland (00)	18.1	11.4	5.4	37.0	70.2
United Kingdom (99)	31.8	22.8	12.3	28.3	61.3
Belgium (97)	31.0	8.7	7.9	71.9	74.5
Average	26.1	13.6	9.8	46.9	61.8

Source: Author's calculations from the Luxembourg Income Study.
Notes:

[1]Poverty rates are for persons living in households with adjusted incomes below 50 percent of median adjusted disposable income.

[2]Market income includes earnings, income from investments, occupations (private and public sector) pensions, child support and other private transfers.

[3]Includes effect of taxes.

[4]Refunds from the Earned Income Tax Credit (US) and the Family Tax Credit (UK) are treated as social assistance, as are near-cash food and housing benefits such as food stamps and housing allowances.

[5]Market income rate minus social insurance rate as a percent of market income rate.

[6]Market income rate minus social assistance rate as a percent of market income rate.

Table 5.
The Anti-Poverty Effect of Government Spending:
Percent of Elders Poor[1] by Income Source

A. Elders Living Alone[2]

Nation (year)	Market Income[3]	Social Insurance (and Taxes[4])	Social Assistance[5]	Percent Reduction: Social Insurance[6]	Percent Reduction: Overall[7]
United States (00)	67.1	28.9	28.4	56.9	57.7
Netherlands (99)	63.1	4.1	3.2	93.5	94.9
Sweden (00)	86.2	21.6	8.2	74.9	90.5
Germany (00)	82.9	12.3	12.2	85.2	85.3
Canada (97)	68.5	6.7	5.2	90.2	92.4
Finland (00)	35.4	13.9	10.1	60.7	71.5
United Kingdom (99)	76.8	38.2	24.6	50.3	68.0
Belgium (97)	91.5	14.3	13.1	84.4	85.7
Average	71.4	17.5	13.1	74.5	80.7

B. All Elders[2]

Nation (year)	Disposable Income Poverty at Specified Percent of Adjusted Disposable Income: 40	50	60
United States (00)	15.0	24.7	33.3
Netherlands (99)	0.4	1.6	21.4
Sweden (00)	2.1	7.7	21.2
Germany (00)	5.2	11.6	21.2
Canada (97)	1.4	5.1	17.3
Finland (00)	1.1	8.5	24.7
United Kingdom (99)	10.2	20.9	34.9
Belgium (97)	1.7	8.7	22.7
Average	4.6	11.1	24.6

Source: Luxembourg Income Study Key figures http://www.lisproject.org/keyfigures/povertytable.htm.

Notes:

[1]Poverty rates are for persons aged 65 and over, living in households with a reference person 65 and over, and with adjusted incomes below 50 percent of median adjusted disposable income.

[2]Poverty rates are percent of persons 65 and older regardless of household arrangement with adjusted incomes below the specified percent of median income.

[3]Market income includes earnings, income from investments, occupations (private and public sector) pensions, child support and other private transfers.

[4]Includes effect of taxes.

[5]Refunds from the Earned Income Tax Credit (US) and the Family Tax Credit (UK) are treated as social assistance, as are near-cash food and housingbenefits such as food stamps and housing allowances. The poverty rates in this column are the same as those in Table 2.

[6]Market income rate minus social insurance rate as a percent of market income rate.

[7]Market income rate minus social assistance rate as a percent of market income rate.

Table 6.
The Anti-Poverty Effect of Government Spending: Percent of One- and Two-Parent Households with Children Poor[1] by Income Source

A. <u>One-Parent</u> Adults and Children

Nation (year)	Market Income[2]	Social Insurance (and Taxes[3])	Social Assistance[4]	Percent Reduction: Social Insurance[5]	Percent Reduction: Overall[6]
United States (00)	48.6	48.2	41.4	0.8	14.8
Netherlands (99)	55.2	44.0	26.8	20.3	51.4
Sweden (00)	48.3	22.9	11.3	52.6	76.6
Germany (00)	51.0	40.3	31.6	21.0	38.0
Canada (97)	53.3	44.8	38.9	15.9	27.0
Finland (00)	41.2	27.4	7.3	33.5	82.3
United Kingdom (99)	75.6	71.1	31.3	6.0	58.6
Belgium (97)	45.1	18.3	12.5	59.4	72.3
Average	52.3	39.6	25.1	26.2	52.6

B. <u>Two-Parent</u> Adults and Children

Nation (year)	Market Income[2]	Social Insurance (and Taxes[3])	Social Assistance[4]	Percent Reduction: Social Insurance[5]	Percent Reduction: Overall[6]
United States (00)	13.9	15.2	13.1	(9.4)	5.8
Netherlands (99)	9.9	8.4	7.9	15.2	20.2
Sweden (00)	9.6	5.2	2.1	45.8	78.1
Germany (00)	7.4	4.5	2.8	39.2	62.2
Canada (97)	15.6	11.1	9.5	28.8	39.1
Finland (00)	10.7	7.0	2.2	34.6	79.4
United Kingdom (99)	17.8	16.5	8.9	7.3	50.0
Belgium (97)	12.6	6.9	6.6	45.2	47.6
Average	12.2	9.4	6.6	25.8	47.8

Source: Author's calculations from the Luxembourg Income Study.
Notes:

[1]Poverty rates are for all persons living in households with one or two non-aged parents, with adjusted incomes below 50 percent of median adjusted disposable income.

[2]Market income includes earnings, income from investments, occupations (private and public sector) pensions, child support and other private transfers.

[3]Includes effect of taxes.

[4]Refunds from the Earned Income Tax Credit (US) and the Family Tax Credit (UK) are treated as social assistance, as are near-cash food and housingbenefits such as food stamps and housing allowances.

[5]Market income rate minus social insurance rate as a percent of market income rate.

[6]Market income rate minus social assistance rate as a percent of market income rate.

Table 7.
Pre and Post Tax and Transfer Rates by Education Level:
Percent of Children Poor[1] by Head/Reference Person across Education Levels

A. All Children

Nation (year)	Market Income[2]	Social Insurance (and Taxes[3])	Social Assistance[4]	Percent Reduction Social Insurance[5]	Percent Reduction Overall[6]
United States (00)	24.7	25.2	21.9	(2.0)	11.3
Sweden (00)	18.7	9.4	4.1	49.7	78.1
Germany (00)	14.2	9.5	6.8	33.1	52.1
Canada (97)	23.6	17.9	15.6	24.2	33.9
Finland (00)	16.7	10.6	2.8	36.5	83.2
United Kingdom (99)	34.1	32.0	15.4	6.2	54.8
Belgium (97)	17.4	8.5	7.6	51.1	56.3
Average	21.3	16.2	10.6	28.4	52.8

B. Lowest Education Level Parents[7]

Nation (year)	Market Income[2]	Social Insurance (and Taxes[3])	Social Assistance[4]	Percent Reduction Social Insurance[5]	Percent Reduction Overall[6]	Percent Parents in Lowest Level
United States (00)	55.5	56.8	51.3	(2.3)	7.6	15.7
Sweden (00)	30.7	17.7	5.9	42.3	80.8	17.4
Germany (00)	17.2	10.7	6.6	37.8	61.6	28.4
Canada (97)	43.5	34.1	29.8	21.6	31.5	14.4
Finland (00)	30.6	19.6	6.1	35.9	80.1	20.2
United Kingdom (99)	46.9	41.9	18.7	10.7	60.1	21.9
Belgium (97)	47.4	28.9	24.7	39.0	47.9	9.9
Average	38.8	30.0	20.4	26.4	52.8	18.3

C. Other Education Levels Parents[7]

Nation (year)	Market Income[2]	Social Insurance (and Taxes[3])	Social Assistance[4]	Percent Reduction Social Insurance[5]	Percent Reduction Overall[6]
United States (00)	19.1	19.4	16.5	(1.6)	13.6
Sweden (00)	16.1	7.6	3.8	52.8	76.4
Germany (00)	12.9	9.1	6.9	29.5	46.5
Canada (97)	20.2	15.2	13.2	24.8	34.7
Finland (00)	13.1	8.3	2.0	36.6	84.7
United Kingdom (99)	31.3	29.8	14.6	4.8	53.4
Belgium (97)	14.2	6.3	5.8	55.6	59.2
Average	18.1	13.7	9.0	28.9	52.6

Source: Author's calculations from the Luxembourg Income Study.
Notes:

[1]Poverty rates are for persons living in households with adjusted incomes below 50 percent of median adjusted disposable income.

[2]Market income includes earnings, income from investments, occupations (private and public sector) pensions, child support and other private transfers.

[3]Includes effect of taxes.

[4]Refunds from the Earned Income Tax Credit (US) and the Family Tax Credit (UK) are treated as social assistance, as are near-cash food and housingbenefits such as food stamps and housing allowances.

[5]Market income rate minus social insurance rate as a percent of market income rate.

[6]Market income rate minus social assistance rate as a percent of market income rate.

[7]Excludes Netherlands due to incomplete education information. Lowest level is less than a high school degree in the United States.

Table 8.
Mean Work Hours by Quintile[1]

A. Actual Hours

1. All Non-Eldery Adults (Head and Spouse)

Nation (year)	Lowest	Middle	Highest
United States (00)	1645	3097	3605
Netherlands (99)	1132	2392	3097
Germany (00)	870	2603	3228
Canada (97)	1081	2670	3248
Belgium (97)	1114	2531	3064
Average	1168	2659	3248

2. Single Parents (Head Only)[2]

Nation (year)	Lowest	Middle	Highest
United States (00)	1104	1938	2115
Netherlands (99)	585	1158	1340
Germany (00)	659	1859	1456
Canada (97)	440	1648	1799
Belgium (97)	455	1558	826
Average	649	1632	1507

2. Two Parents (Head's Hours Only)[3]

Nation (year)	Lowest	Middle	Highest
United States (00)	1708	2218	2426
Netherlands (99)	1164	2024	2311
Germany (00)	1267	2133	2211
Canada (97)	1258	1952	2138
Belgium (97)	1139	2023	2040
Average	1307	2070	2225

B. Hours as Percent of "Average Middle Income Household"

1. All Non-Eldery Adults (Head and Spouse)

Nation (year)	Lowest	Middle	Highest
United States (00)	61.9	116.5	135.6
Netherlands (99)	42.6	90.0	116.5
Germany (00)	32.7	97.9	121.4
Canada (97)	40.7	100.4	122.2
Belgium (97)	41.9	95.2	115.2
Average	43.9	100.0	122.2

2. Single Parents (Head Only)[2]

Nation (year)	Lowest	Middle	Highest
United States (00)	67.6	118.7	129.6
Netherlands (99)	35.8	70.9	82.1
Germany (00)	40.4	113.9	89.2
Canada (97)	27.0	101.0	110.2
Belgium (97)	27.9	95.5	50.6
Average	39.7	100.0	92.3

2. Two Parents (Head's Hours Only)[3]

Nation (year)	Lowest	Middle	Highest
United States (00)	82.5	107.1	117.2
Netherlands (99)	56.2	97.8	111.6
Germany (00)	61.2	103.0	106.8
Canada (97)	60.8	94.3	103.3
Belgium (97)	55.0	97.7	98.6
Average	63.1	100.0	107.5

Source: Author's tabulations from the Luxembourg Income Study.
Notes:
[1]Mean annual hours of work per year in each nation for adults (18-64) classified by type of household.
[2]Lone parents may have one adult who works and also perhaps an older child in some circumstances, but we only count hours of work for the lone parent here.
[3]Two parent households may have two adults and older children who work, but we only count the hours of the head here.

Table 9.
Poverty and Hours Worked: One Parent vs. Two Parents

A. All Hours

	All Children			Children in a One Parent Family			Children in a Two Parent Family		
Nation (year)	**Market Income**	**Social Insurance**	**Social Assistance**	**Market Income**	**Social Insurance**	**Social Assistance**	**Market Income**	**Social Insurance**	**Social Assistance**
United States (00)	24.2	25.2	21.9	54.0	53.3	46.2	15.5	16.9	14.7
Netherlands (99)	13.8	11.4	9.6	56.1	45.8	29.9	9.8	8.2	7.7
Germany (00)	13.9	9.6	6.8	56.1	44.1	34.5	7.8	4.6	2.8
Canada (97)	23.6	18.2	15.8	57.0	48.3	42.5	16.5	11.8	10.1
Belgium (97)	17.3	8.6	7.6	46.3	17.3	11.3	13.8	7.5	7.2
Average	18.6	14.6	12.3	53.9	41.8	32.9	12.7	9.8	8.5

B. Less than 1000 Hours

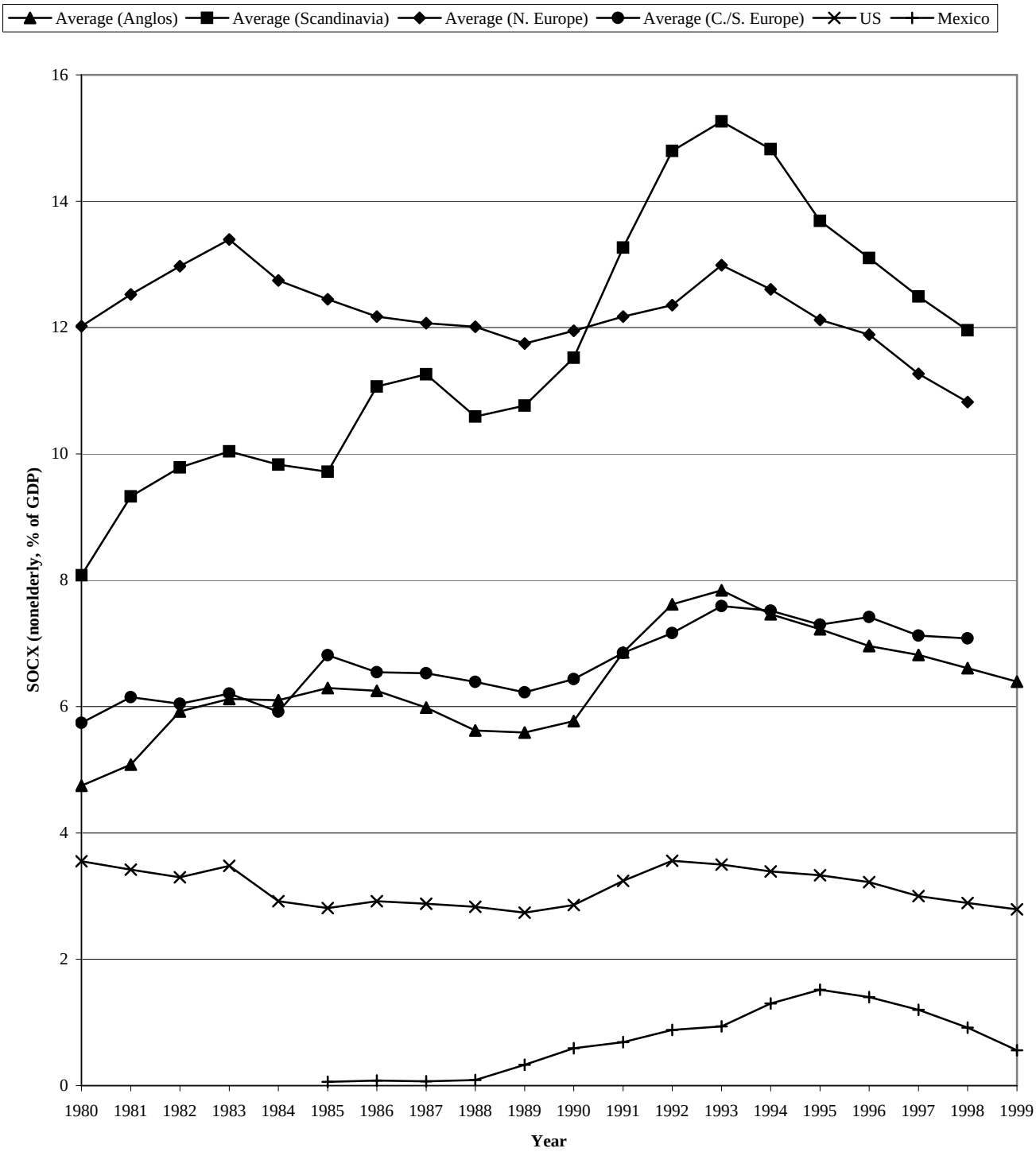
	All Children			Children in a One Parent Family			Children in a Two Parent Family		
Nation (year)	**Market Income**	**Social Insurance**	**Social Assistance**	**Market Income**	**Social Insurance**	**Social Assistance**	**Market Income**	**Social Insurance**	**Social Assistance**
United States (00)	88.8	84.3	78.8	89.4	86.3	80.9	87.0	78.2	72.6
Netherlands (99)	85.5	70.9	56.4	88.0	77.3	48.4	83.9	66.7	61.7
Germany (00)	74.6	43.7	28.1	91.1	77.2	59.5	58.2	43.7	28.1
Canada (97)	79.7	68.0	59.5	88.0	79.1	71.4	70.6	55.8	46.4
Belgium (97)	72.1	35.5	30.5	89.3	35.0	22.0	65.4	35.7	33.5
Average	80.1	60.5	50.7	89.2	71.0	56.4	73.0	56.0	48.5

C. 1000 Hours or More (Head)

	All Children			Children in a One Parent Family			Children in a Two Parent Family		
Nation (year)	**Market Income**	**Social Insurance**	**Social Assistance**	**Market Income**	**Social Insurance**	**Social Assistance**	**Market Income**	**Social Insurance**	**Social Assistance**
United States (00)	27.9	29.8	25.1	40.3	40.6	32.9	21.5	24.2	21.0
Netherlands (99)	5.7	4.2	3.6	26.9	17.0	13.1	3.9	3.2	2.8
Germany (00)	6.0	2.9	1.9	20.7	10.6	9.2	4.2	2.0	1.0
Canada (97)	17.9	11.7	9.9	22.4	13.9	10.2	16.7	11.1	9.8
Belgium (97)	7.8	3.2	3.2	9.7	2.3	2.3	7.5	3.3	3.3
Average	13.1	10.4	8.7	24.0	16.9	13.5	10.8	8.8	7.6

Source: Author's calculations from the Luxembourg Income Study.

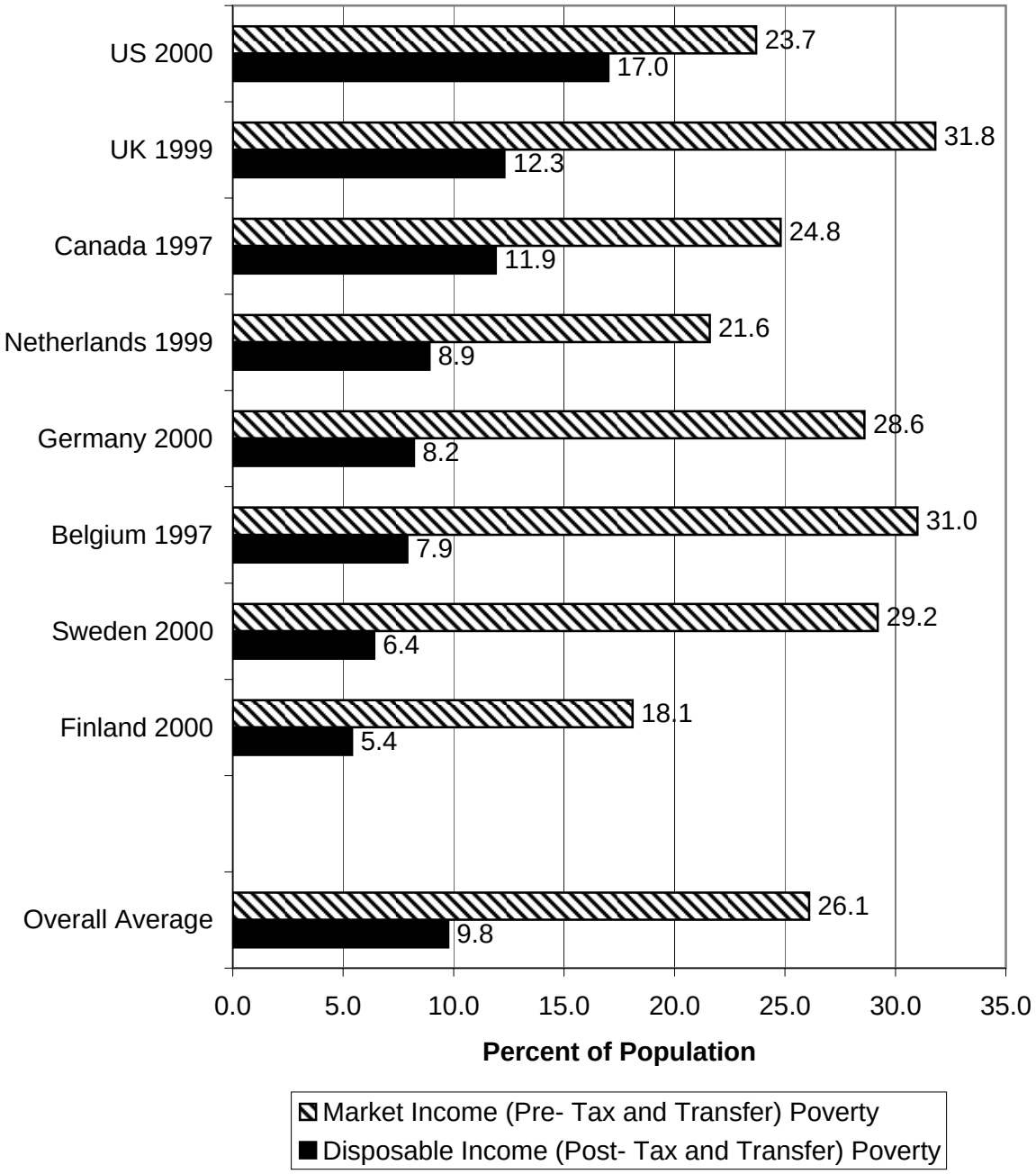
Figure 1. Nonelderly Social Expenditures in 6 sets of 17 Nations*



* Total Nonelderly Social Expenditures (as percentage of GDP), including all cash plus near cash spending (e.g., food stamps) and public housing but excluding health care and education spending. OECD (2002b). Anglos include Australia, **UK**, **Canada**; Scandinavia includes **Finland**, Norway, **Sweden**; Northern Europe includes **Belgium**, Denmark, **Netherlands**; Central/Sourthern Europe includes Austria, France, **Germany**, Italy, Luxembourg, Spain.

Source: Osberg, Smeeding, Schwabish (2003); OECD (2002).

Figure 2.
Relative Poverty Rates and Antipoverty Effects in 8 Rich Nations at the Turn of the Century
(Percent of Persons with Market Income and Disposable Income Less than Half of Adjusted National Disposable Median Income)



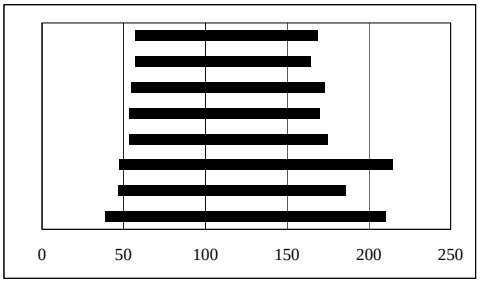
Source: Author's calculations from Luxembourg Income Study.

Figure 3. Relative and Real Economic Well-being of All Persons in 8 Countries [1]

(numbers given are percent of median in each nation and Gini coefficient)

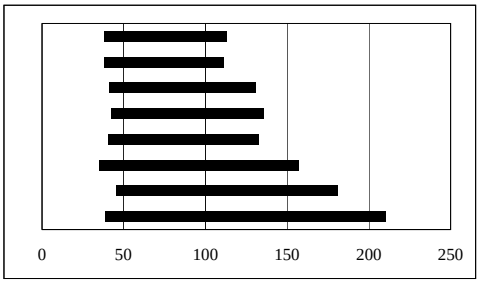
A. Relative to Own Median Income

	P10/P50 (Low Income)	Economic Distance: Length of bars represents the gap between high and low income individuals	P90/P50 (High Income)	P90/P10 (Decile Ratio)	Gini Coefficient [2]
Sweden 2000	57		168	2.95	0.254
Finland 2000	57		164	2.90	0.247
Germany 2000	55		173	3.17	0.252
Belgium 1997	53		170	3.19	0.250
Netherlands 1999	53		175	3.27	0.253
United Kingdom 1999	47		214	4.54	0.345
Canada 1997	47		186	3.99	0.291
United States 2000	39		210	5.43	0.368
Average [3]	51		183	3.68	0.283



B. Real Income (as percentage of overall US 2000 median equivalent income in PPP terms) [4]

	P10/P50 (Low Income)	Economic Distance: Length of bars represents the gap between high and low income individuals	P90/P50 (High Income)	P90/P10 (Decile Ratio)	Real Income Gap Between Rich and Poor
Sweden 2000	38		113	2.95	$ 18,263.17
Finland 2000	38		111	2.90	$ 17,774.85
Germany 2000	41		131	3.17	$ 21,827.90
Belgium 1997	43		136	3.19	$ 22,755.71
Netherlands 1999	41		133	3.27	$ 22,511.55
United Kingdom 1999	35		157	4.54	$ 29,909.60
Canada 1997	45		181	3.99	$ 33,083.68
United States 2000	39		210	5.43	$ 41,897.86
Average [3]	40		146	3.68	$ 26,003.04



Source: Luxembourg Income Study and author's calculations.

[1]Figures given are adjusted dollars per equivalent person (child) in own currency as a percent of own overall national median income (P50), weighted for the number of persons in each unit. In Panel A, the 10/50 and 90/50 columns are the country's 90th and 10th percentiles relative to the nation's median, while the 90/10 column is the country's 90th percentile relative to the country's 10th percentile. In Panel B, the 10/50 and 90/50 columns are the country's 90th and 10th percentiles relative to the nation's median.

[2]Gini coefficients are based on incomes which are bottom coded at 1 percent of mean disposable income and top coded at 10 times the median disposable income.

[3]Simple average.

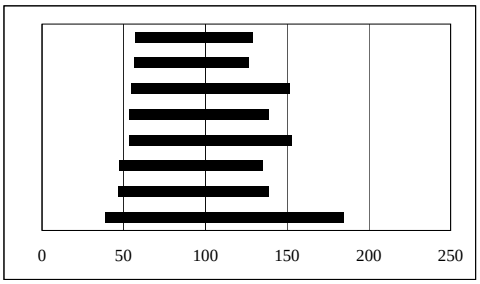
[4]Figures given are adjusted dollars per equivalent person 200 U.S. dollars, weighted for the number of persons in each unit size, and relative to the overall U.S. median of $24,416.

Figure 4. Relative and Real Economic Well-being of Elderly Persons in 8 Countries[1]

(numbers given are percent of median in each nation)

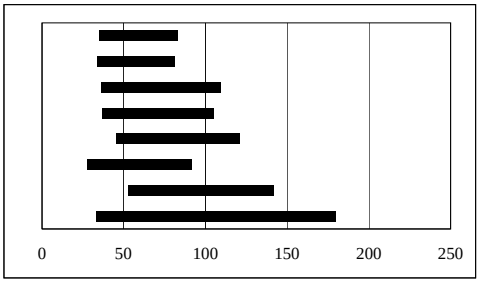
A. Relative to Own Median Income

	P10/P50 (Low Income)	Economic Distance: Length of bars represents the gap between high and low income individuals	P90/P50 (High Income)	P90/P10 (Decile Ratio)
Sweden 2000	52		123	2.39
Finland 2000	50		120	2.40
Germany 2000	48		145	3.01
Belgium 1997	46		132	2.85
Netherlands 1999	59		159	2.68
United Kingdom 1999	38		125	3.30
Canada 1997	54		146	2.71
United States 2000	33		179	5.42
Average [2]	48		141	3.09



B. Real Income (as percentage of overall US 2000 median equivalent income in PPP terms)[3]

	P10/P50 (Low Income)	Economic Distance: Length of bars represents the gap between high and low income individuals	P90/P50 (High Income)	P90/P10 (Decile Ratio)	Real Income Gap Between Rich and Poor
Sweden 2000	35		83	2.39	$ 11,744.10
Finland 2000	34		81	2.40	$ 11,573.18
Germany 2000	36		110	3.01	$ 17,896.93
Belgium 1997	37		105	2.84	$ 16,602.88
Netherlands 1999	45		121	2.68	$ 18,482.91
United Kingdom 1999	28		92	3.31	$ 15,650.66
Canada 1997	52		142	2.71	$ 21,827.90
United States 2000	33		179	5.42	$ 35,696.19
Average [2]	38		114	3.09	$ 18,684.34



Source: Luxembourg Income Study and author's calculations.

[1]Figures given are adjusted dollars per equivalent person (child) in own currency as a percent of own overall national median income (P50), weighted for the number of elderly persons in each unit.

[2]Simple average.

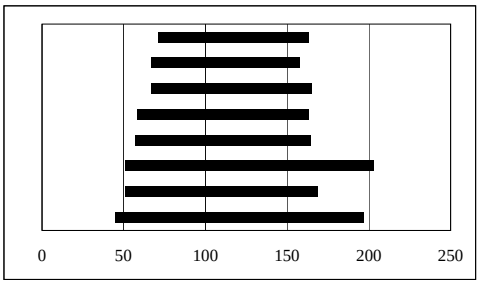
[3]Figures given are adjusted dollars per equivalent person 200 U.S. dollars, weighted for the number of persons in each unit size, and relative to the overall U.S. median of $24,416.

Figure 5. Relative and Real Economic Well-being of Two-Parents with Children in 8 Countries[1]

(numbers given are percent of median in each nation)

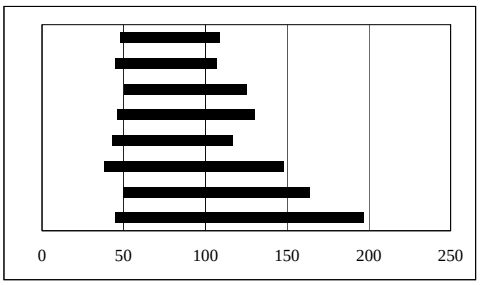
A. Relative to Own Median Income

	P10/P50 (Low Income)	Economic Distance: Length of bars represents the gap between high and low income individuals	P90/P50 (High Income)	P90/P10 (Decile Ratio)
Sweden 2000	71		163	2.28
Finland 2000	67		158	2.36
Germany 2000	67		165	2.47
Belgium 1997	58		163	2.80
Netherlands 1999	57		154	2.72
United Kingdom 1999	51		203	3.94
Canada 1997	51		169	3.31
United States 2000	45		197	4.41
Average[2]	58		171	3.04



B. Real Income (as percentage of overall US 2000 median equivalent income in PPP terms)[3]

	P10/P50 (Low Income)	Economic Distance: Length of bars represents the gap between high and low income individuals	P90/P50 (High Income)	P90/P10 (Decile Ratio)	Real Income Gap Between Rich and Poor
Sweden 2000	48		109	2.28	$ 26,686.69
Finland 2000	45		107	2.36	$ 14,332.19
Germany 2000	50		125	2.47	$ 19,386.30
Belgium 1997	46		130	2.80	$ 19,386.30
Netherlands 1999	43		117	2.72	$ 17,188.86
United Kingdom 1999	38		148	3.94	$ 25,734.46
Canada 1997	50		164	3.31	$ 30,788.58
United States 2000	45		197	4.41	$ 35,891.52
Average[2]	46		137	3.03	$ 23,674.36



Source: Luxembourg Income Study and author's calculations.

[1]Figures given are adjusted dollars per equivalent person (child) in own currency as a percent of own overall national median income (P50), weighted for the number of two parents with children in each unit.

[2]Simple average.

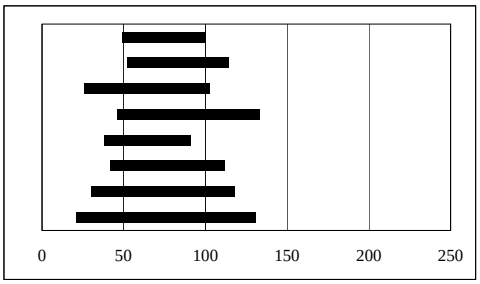
[3]Figures given are adjusted dollars per equivalent person 200 U.S. dollars, weighted for the number of persons in each unit size, and relative to the overall U.S. median of $24,416.

Figure 6. Relative and Real Economic Well-being of Single Parents with Children in 8 Countries[1]

(numbers given are percent of median in each nation)

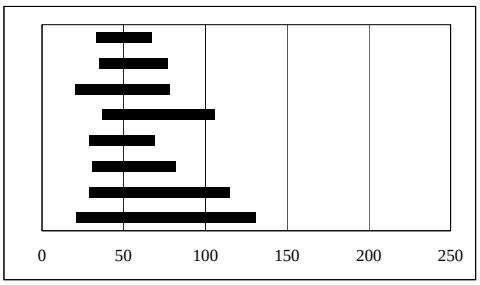
A. Relative to Own Median Income

	P10/P50 (Low Income)	Economic Distance: Length of bars represents the gap between high and low income individuals	P90/P50 (High Income)	P90/P10 (Decile Ratio)
Sweden 2000	49		100	2.06
Finland 2000	52		114	2.22
Germany 2000	26		103	3.97
Belgium 1997	46		133	2.88
Netherlands 1999	38		91	2.40
United Kingdom 1999	42		112	2.70
Canada 1997	30		118	4.00
United States 2000	21		131	6.12
Average[2]	38		113	3.29



B. Real Income (as percentage of overall US 2000 median equivalent income in PPP terms)[3]

	P10/P50 (Low Income)	Economic Distance: Length of bars represents the gap between high and low income individuals	P90/P50 (High Income)	P90/P10 (Decile Ratio)	Real Income Gap Between Rich and Poor
Sweden 2000	33		67	2.06	$ 8,472.35
Finland 2000	35		77	2.22	$ 10,376.80
Germany 2000	20		78	3.95	$ 14,210.11
Belgium 1997	37		106	2.88	$ 16,895.87
Netherlands 1999	29		69	2.40	$ 9,864.06
United Kingdom 1999	31		82	2.69	$ 12,647.49
Canada 1997	29		115	3.99	$ 21,046.59
United States 2000	21		131	6.12	$ 26,759.94
Average[2]	29		91	3.29	$ 15,034.15



Source: Luxembourg Income Study and author's calculations.

[1]Figures given are adjusted dollars per equivalent person (child) in own currency as a percent of own overall national median income (P50), weighted for the number of two parents with children in each unit.

[2]Simple average.

[3]Figures given are adjusted dollars per equivalent person 2000 U.S. dollars, weighted for the number of persons in each unit size, and relative to the overall U.S. median of $24,416.

Table A-1.
Distribution of Household Types
(percent of all persons)

Nation (year)	Mixed[1]	Elders	Non-elderly Childless	Non-elderly Single Parent	Two Parents with Children	Total
United States (00)	8.4	8.7	29.8	10.6	42.5	100.0
Netherlands (99)	3.7	10.8	36.0	3.5	45.9	100.0
Sweden (00)	3.8	15.1	35.1	7.9	38.1	100.0
Germany (00)	6.2	16.7	38.6	4.0	34.6	100.0
Canada (97)	8.0	8.7	33.9	7.3	42.1	100.0
Finland (00)	6.4	11.7	36.4	5.7	39.7	100.0
United Kingdom (99)	7.0	12.0	34.4	9.0	37.5	100.0
Belgium (97)	7.5	13.1	34.1	4.3	41.1	100.0
Average	6.4	12.1	34.8	6.5	40.2	100.0

Source: Author's calculations from Luxembourg Income Study.
Note: [1]The mixed are very few elders with children; are more likely to be elder and nonelderly families living together.

Table A-2.
Macro/Micro Comparisons

Nation (year)	GDP/Capita (in 2000 US$)[1]	Index	LIS Median DPI (in 2000 US$)[1]	Index
United States (00)	34,106	100	24,116	100
Netherlands (99)	26,517	78	18,328	76
Sweden (00)	25,363	74	16,206	67
Germany (00)	25,329	74	18,208	76
Canada (97)	25,044	73	21,005	87
Finland (00)	24,530	72	16,327	68
United Kingdom (99)	23,723	70	17,677	73
Belgium (97)	23,541	69	19,245	80

Source: OECD and Luxembourg Income Study.

Notes: [1]Median DPI per equivalent adult in real 2000 PPP dollars, using OECD PPPs, price adjusted in each nation to correct year.

Table A-3.
The Anti-Poverty Effect of Government Spending:
Percent of the Childless Non-Elderly Adults Poor[1] by Income Source

Nation (year)	Market Income[2]	Social Insurance (and Taxes[3])	Social Assistance[4]	Percent Reduction Social Insurance[5]	Percent Reduction Overall[6]
United States (00)	13.4	12.5	11.1	6.7	17.2
Netherlands (99)	18.0	12.5	9.5	30.6	47.2
Sweden (00)	20.9	12.6	9.7	39.7	53.6
Germany (00)	18.7	10.8	9.0	42.2	51.9
Canada (97)	17.2	13.5	12.1	21.5	29.7
Finland (00)	17.0	14.0	7.6	17.6	55.3
United Kingdom (99)	18.4	13.5	7.7	26.6	58.2
Belgium (97)	23.4	8.0	7.3	65.8	68.8
Average	18.4	12.2	9.3	31.4	47.7

Source: Author's calculations from the Luxembourg Income Study.
Notes:

[1]Poverty rates are for non-elderly adults living in households without children with adjusted incomes below 50 percent of median adjusted disposable income.

[2]Market income includes earnings, income from investments, occupations (private and public sector) pensions, child support and other private transfers.

[3]Includes effect of taxes.

[4]Refunds from the Earned Income Tax Credit (US) and the Family Tax Credit (UK) are treated as social assistance, as are near-cash food and housingbenefits such as food stamps and housing allowances.

[5]Market income rate minus social insurance rate as a percent of market income rate.

[6]Market income rate minus social assistance rate as a percent of market income rate.